

1 CITY AND COUNTY OF SAN FRANCISCO  
2 DEPARTMENT OF PUBLIC WORKS  
3 DIRECTOR'S HEARING ON PROPOSED REFUSE RATES  
4 2017 REFUSE RATE APPLICATION

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7 CITY HALL  
8 1 DR. CARLTON B. GOODLETT PLACE, ROOM 400  
9 SAN FRANCISCO, CA 94102

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11  
12 Wednesday, March 8, 2017

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23 REPORTED BY:  
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A P P E A R A N C E S

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Wednesday, March 8, 2017 8:17 a.m.

P R O C E E D I N G S

DIRECTOR NURU: Let the hearing please come to order.

Good morning, ladies and gentlemen. I am Mohammed Nuru, the Director of Public Works for the City and County of San Francisco and I will be the hearing officer for these proceedings.

The date is March 8, 2017. This is the first in a series of hearings to discuss the City's residential refuse rates. On February 13th of this year, Recology Sunset Scavenger, Recology Golden Gate, and Recology San Francisco, which we refer to collectively as "Recology," filed an application to raise residential rates with the Chair of the San Francisco Refuse Collection and Disposal Rate Board. The application is for the year starting on July 1st, 2017 and includes a formula to change rates annually for cost-of-living adjustments. These COLA adjustments would continue until there is a new rate order.

After rebating surplus amounts collected in prior years, the application seeks an average increase in rates for residential and apartment customers of 16.4% in the first year, a 4.98% increase in the rate

1 year 2019, and another 0.62% increase in the rate year  
2 of 2021. Without rebates, Recology's requested average  
3 increase for rate year 2018 would be 22.96%. Public  
4 Works conducts these hearings to discuss the costs and  
5 services that result in the proposed refuse collection  
6 and disposal rates.

7 The City is required to hold this series of  
8 hearings under an ordinance enacted by the voters in  
9 1932. In addition to the rules set forth in the  
10 Ordinance, Public Works has adopted additional rules of  
11 procedure for these hearings. Copies of the procedure  
12 are available at the back of the room. The planned  
13 agenda for today's hearing is also available. I will  
14 briefly review how we plan to proceed today and in  
15 subsequent hearings. We have this room only until noon  
16 today, so I ask everyone to help me stay on schedule.

17 Before we go any further, I would like to  
18 introduce Mr. Maximillian Contreras who will transcribe  
19 our meeting today. I request that everyone who speaks  
20 today, witnesses and others, please bear in mind that  
21 Mr. Contreras has a very tough job, so please speak  
22 clearly and into the microphone so that he can take your  
23 entire testimony.

24 One more piece of housekeeping: I'd like the  
25 Public Works clerk to make an announcement concerning

1 our efforts to comply with Title VI of the Civil Rights  
2 Act, and ask your cooperation with a public  
3 participation survey.

4 Mr. Jose Pujol -- oh, Nathan.

5 Nathan Rodis, please proceed with your  
6 announcement.

7 MR. RODIS: Good morning, everyone.

8 Title VI of the Civil Rights Act requires  
9 equal and equitable access to the Department of Public  
10 Works program activities and services. To document that  
11 the department is in compliance with Title VI, we ask  
12 that everyone attending and participating in today's  
13 hearing complete a participating survey. However, this  
14 survey is optional and completing it is not required for  
15 participation. The data that you provide will be  
16 analyzed and used to ensure residents and stakeholders  
17 in the community are involved in the refuse rate hearing  
18 process. The information will not be used for any other  
19 purposes.

20 You will find this survey on the sign-in table  
21 here in the front. Please place completed survey forms  
22 in the collection box.

23 Thank you.

24 DIRECTOR NURU: Thank you.

25 I'd like to introduce some of the other City

1 staff who are here and will be participating in the  
2 proceedings.

3 Julia Dawson, Deputy Director for Finance  
4 and Administration with the Public Works Department.

5 Robert Haley, head of the zero waste program  
6 with the Department of the Environment.

7 Manu Pradhan, Deputy City Attorney who will  
8 represent the City on legal matters in these  
9 proceedings.

10 Mr. Dwayne Jones, the ratepayer advocate.  
11 His job is to facilitate the participation of the  
12 residential ratepayers and I hope you will consider him  
13 as a resource in this process.

14 Mr. Jones, please stand up. Thank you.

15 So I'll talk a little bit about these  
16 proceedings. I want to say a few things.

17 The 1932 Ordinance requires the Director of  
18 Public Works to make the recommendation on the  
19 residential refuse rates within 90 days of the  
20 application being filed. For us, that day is May 15.  
21 During the 90-day review period, there will be several  
22 hearings which will allow Recology and the public to put  
23 before me information, concerns and/or recommendations  
24 regarding the issues raised by this application.  
25 The Director has the duty to recommend just and

1 reasonable rates and to order studies and investigations  
2 beyond Recology's assertions. I have requested that the  
3 City staff review and evaluate the rate application and  
4 make further necessary studies. The staff's findings  
5 and recommendations will be presented in future  
6 hearings.

7           Some of you may have attended our workshops on  
8 the draft and final rate application, which we held on  
9 October 18, 2016 and February 28 of this year. Public  
10 Works organized these workshops as a way of offering the  
11 public information about the rate increase request and  
12 an opportunity to ask questions. These workshops were  
13 not recorded and were much more informal than these  
14 hearings.

15           These hearings will be "on the record."  
16 Information will be transcribed and become evidence and  
17 serve as the basis for my decision. Anything said at  
18 these hearings and any document introduced as an exhibit  
19 will become part of the hearing record. I will weigh  
20 this information in making my decisions.

21           The purpose of today's hearing is to hear  
22 testimony from Recology in support of their application,  
23 to ask Recology about the application, and to hear  
24 public comment on the application. Recology and the  
25 City will be introducing exhibits that will become

1 evidence in these proceedings.

2 Let's go over today's agenda. In a few  
3 minutes, Recology will be offered the opportunity  
4 to make an opening statement. After this opening  
5 statement, Recology will present its detailed case and  
6 introduce exhibits and expert testimony in support of  
7 the application. After Recology has presented its  
8 application information, the City will begin  
9 cross-examination with questions about the proposed  
10 program changes and planned capital investments.  
11 The Ratepayer Advocate will also be offered an  
12 opportunity to ask questions during cross-examination.  
13 Then we will hear from the Ratepayer Advocate about  
14 their efforts to inform and engage the public about the  
15 rate application and these proceedings. We will reserve  
16 the last period of today's hearing and every day's  
17 hearing for public comment.

18 This hearing will be continued to next  
19 Wednesday, March 15, also beginning at 8:00 a.m. here in  
20 room 400. The topics for next week's session are also  
21 listed on the agenda, and if time permits, we will take  
22 one or more of those items today. We will also have two  
23 more hearings scheduled for Wednesday, March 22nd, and  
24 Tuesday, March 28, at which time we will hear further  
25 testimony from Recology. The City and the Ratepayer

1 Advocate will have a chance to ask questions. We will  
2 take public comment each day before we adjourn. The  
3 agenda for the other March hearings will be posted on  
4 the Public Works website next week.

5 Members of the public are welcome to  
6 participate in these proceedings in two ways. First,  
7 members of the public may speak during the public  
8 comment period and may offer materials to be included as  
9 an exhibit in the hearing record. Members of the public  
10 may also engage the Ratepayer Advocate, who will do his  
11 best to represent the public's interest during  
12 cross-examinations. Mr. Jones will be present at all of  
13 the hearings. If you wish to speak during the public  
14 comment periods, please fill out the speaker's cards,  
15 which are available at rear of the room and give it to  
16 the clerk, Nathan. I will apply time limits uniformly  
17 to members of the public wishing to speak; therefore,  
18 I must know in advance how many members of the public  
19 wish to speak.

20 After this initial set of hearings in March,  
21 City staff will prepare a draft report on the  
22 application based on the testimony at the hearings and  
23 any additional information that staff has gathered.  
24 The staff report is scheduled to be released around  
25 April 12th and will be the subject of additional

1 hearings scheduled for April 19 and 26 and May 3rd this  
2 year. I believe that these hearings will allow enough  
3 time for all of us -- for all issues to be raised and  
4 commented on by various parties. However, if necessary,  
5 additional hearings will be scheduled before I issue my  
6 report and recommended order in May.

7 I would also note that we have an additional  
8 regulatory requirement pursuant to Article XIII D,  
9 Section 6, of the California Constitution, also known at  
10 "Proposition 218" or the "Right to Vote on Taxes Act."  
11 Under this provision, any residential customer or  
12 property owner may submit a written protest against the  
13 application. I will hold a separate hearing on May 4 at  
14 9:00 a.m. to consider written protests received as of  
15 that date. If more than half of the ratepayers file a  
16 written protest against the application, the City will  
17 not approve it.

18 The guidelines for submitting written protests  
19 will be available on the Public Works website in three  
20 languages -- English, Chinese, and Spanish. Please note  
21 that while the public comment for and against the  
22 application will be taken on every hearing day, protests  
23 under Proposition 218 must be in writing and conform to  
24 the protest guidelines to be valid. Written protest may  
25 be submitted at any of these hearings, at the May 4

1 hearing, or be delivered to the Public Works' office in  
2 room 348 in City Hall before the May 4 hearing.

3 If you want to be notified of future hearings,  
4 receive a copy of the Director's Report and Recommended  
5 Order, or want to be notified of the hearings before the  
6 Rate Board, please make sure you've printed your mailing  
7 address or e-mail address clearly on the sign-in sheet.

8 Let's talk a little bit about the Rate Board  
9 proceedings.

10 As required by Ordinance, I will file my  
11 report and recommended order no later than May 15th,  
12 2017 with the Chair of the Rate Board. Any party  
13 objecting to my recommendation must file an objection  
14 within 15 days with the Chair of the Rate Board.

15 If no objections are filed, then my  
16 recommended order will be considered final and will take  
17 effect no later than July 1st. If any objections are  
18 filed, then the Rate Board will hold a hearing on those  
19 objections. Based on the record from the series of  
20 Director's hearings, the Rate Board can grant or deny  
21 the objections. As I noted, the Rate Board is not  
22 permitted to consider any new evidence beyond what is  
23 presented in the record of these hearings during the  
24 90-day review period.

25 In the event that the Rate Board does not make

1 a decision within 60 days, my recommended order will be  
2 considered final.

3 I would like to highlight an important aspect  
4 of the review process that I just mentioned. If you  
5 don't agree with the results of these hearings, you can  
6 file an objection to the Rate Board, and the Rate Board  
7 will make the final decision. The Rate Board is like an  
8 appeals court and cannot hear new evidence. The Rate  
9 Board will only consider arguments relating to the  
10 evidence and recommendations that have been developed in  
11 the Director's hearings. These hearings are the forum  
12 where you can ensure that your views are on the record  
13 and that any evidence you present is recorded.

14 Okay, let's get ready to begin.

15 We have these hearing rooms for a limited  
16 time, as I said earlier. Please make sure that everyone  
17 can speak and be heard at these hearings by arriving on  
18 time and using your time effectively. If you don't get  
19 a chance to speak, please come back to a later hearing  
20 or submit your comments in writing. I also encourage  
21 you to share your comments with the Ratepayer Advocate.

22 We are now ready to proceed.

23 Please remember that the use of cell phones,  
24 pagers, and other sound-producing electronic devices is  
25 not permitted during these hearings.

1 Is Recology ready to present its case?

2 Does Recology wish to make an opening  
3 statement?

4 OPENING STATEMENT BY THE APPLICANT

5 MR. BAKER: Yes, Mr. Nuru. I do, thank you.

6 Mr. Nuru, Ms. Dawson, Mr. Haley, Mr. Jones,  
7 my name is Mike Baker. I'm with the law firm of  
8 Arnold & Porter Kaye Scholer in San Francisco and my  
9 firm represents Recology Sunset Scavenger, Recology  
10 Golden Gate, and Recology San Francisco, the applicants  
11 in these hearings. With me today are my colleagues  
12 John Hughes and Carolyn Pearce. I wonder if they can  
13 stand so people know who they are.

14 The three of us will share responsibility for  
15 presenting evidence and examining witnesses during these  
16 hearings. And with us today also are a number of folks  
17 from Recology I wanted to introduce you to who are  
18 well-known to the panel above, Mark Arsenault  
19 and John Porter. Mark is the Regional Vice President,  
20 Group Manager in charge of San Francisco operations.  
21 John Porter is the Group Controller in San Francisco.  
22 Both of them will be testifying in these hearings along  
23 with others.

24 On behalf of Recology, we appreciate the  
25 opportunity to talk about Recology's collection and

1 recycling programs in the city. I'll spend the next few  
2 minutes providing an overview of the rate increase  
3 Recology requests. Recology seeks sufficient funding  
4 both to sustain its existing programs and also to  
5 provide new services and facilities that Recology and  
6 the City have worked together to develop. As with other  
7 applications over the past several years, this  
8 application is submitted against the backdrop of the  
9 City's drive toward zero waste. The City's Board of  
10 Supervisors set that goal in 2002 when it adopted a  
11 resolution committing the City to achieve 75% diversion  
12 by the year 2010 and setting a further ambitious goal of  
13 eventual zero waste.

14           The Board's 2002 resolution assigned a task of  
15 determining a target date for zero waste to the  
16 San Francisco Commission on the Environment. And a year  
17 later in 2003, the Commission set a goal of zero waste  
18 in San Francisco by 2020. The City met the target set  
19 by the Board of Supervisors of 75% diversion by 2010,  
20 a remarkable achievement in and of itself. Recology,  
21 City officials, and city residents and businesses have  
22 received international recognition for these efforts.  
23 But there is obviously still more to do if the goal of  
24 zero waste is to be achieved. This rate application  
25 proposes changes and capital improvement to continue to

1 move the City towards that goal.

2           You'll be hearing about a pilot program to  
3 recover more materials from the black trash bins.  
4 You'll hear about programs to encourage greater use of  
5 the blue and green bins. You'll hear about modified  
6 truck configurations and truck routes to accommodate  
7 more blue bin material. You'll hear about how  
8 Recology's new responsibility for collecting abandoned  
9 material in the city is succeeding. You'll hear about  
10 recent upgrades to the recycling-processing equipment at  
11 Pier 96, Recycle Central. And you'll hear about  
12 proposed new facilities to more efficiently and  
13 effectively capture recyclable and compostable material.

14           As for the new facilities, the application  
15 proposes three. First, Recology requests funding for a  
16 new facility to process green waste. The need is an  
17 immediate one. The amount of green waste that Recology  
18 collects in the city has climbed substantially since the  
19 Board of Supervisors adopted the City's Mandatory  
20 Recycling & Composting Ordinance in 2009. The principle  
21 reason, of course, for that increase has been the  
22 disposal of food scraps in the green bins, as the  
23 Ordinance requires.

24           Recology 's transfer station for green waste  
25 is a small building at Tunnel Beatty that has had many

1 uses since it was built almost 50 years ago. For many  
2 years it was the location for the Artist in Residence  
3 program. It's only 7,500 square feet in size. It lacks  
4 a modern odor and liquid control system. It poses  
5 numerous traffic challenges, numerous logistical  
6 challenges. It is totally inadequate for its current  
7 use.

8 The new facility that Recology proposes is  
9 called the "West Wing." It will be almost twice as  
10 large. We'll have a state-of-the-art odor and liquid  
11 management system and will be designed for efficient and  
12 safe traffic management. The two other proposed  
13 facilities are both contingent, which means the final  
14 design, permitting, and pricing are still to be  
15 completed; therefore, Recology requests that contingent  
16 rate schedules be approved that will provide funding for  
17 these projects if and when final plans are presented to  
18 and approved by the Director of Public Works.

19 The first contingent proposal is for a new  
20 iMRF to process construction and demolition debris. The  
21 current iMRF at Tunnel Beatty is inadequate for the  
22 amount of construction and demolition debris now  
23 generated in the city -- inadequate both in size and due  
24 to outmoded equipment. It also needs to be replaced.

25 The second contingent proposal is to take

1 advantage of the move -- the anticipated move of the  
2 iMRF for new programming. And so the second contingent  
3 proposal is for a black bin processing facility to be  
4 housed in the current iMRF once those operations are  
5 moved to a new location. Recovering recyclable material  
6 from the black bins is a critical next step toward zero  
7 waste.

8           You'll hear about a pilot program that  
9 Recology proposes to be approved in this application to  
10 test ways to effectively recover recyclable material  
11 from the black bin stream. This pilot program will  
12 guide the development of the black bin processing  
13 facility proposed in the contingent portion of the  
14 application. You'll hear about the proposed new  
15 facilities of both the West Wing and the two contingent  
16 facilities from Maurice Quillen and Meghan Butler,  
17 and you'll hear about the proposed changes to curbside  
18 collection operations from Dan Negron and Minna Tao.  
19 And you'll hear from other witnesses as well.

20           Recology last sought and received a rate  
21 increase in 2013. Since then there have been notable  
22 and significant increases in costs that warrant this new  
23 rate. First is the City's new landfill agreement which  
24 began a little over a year ago. A Recology subsidiary,  
25 Recology Hay Road in Solano County, won that contract in

1 a competitive bid. Hay Road's winning bid offered a tip  
2 fee that was less than half of that offered by the  
3 competing bidder, Waste Management. Still, the new  
4 disposal costs at Hay Road are considerably higher than  
5 they were under the old Altamont Landfill contract,  
6 which dates back to 1987.

7 Further contributors to increased expenses are  
8 higher labor costs under the Company's new collective  
9 bargaining agreement, and due to requests in increases  
10 in head count to staff-proposed program changes that  
11 you'll hear about. Another contributor is increased  
12 regulatory costs at Recology's composting facilities  
13 near Vacaville and Vernalis, California. A further  
14 contributor is a new lease with the Board of  
15 San Francisco for Recycle Central at Pier 96 which is  
16 more than double the rent at that facility.

17 John Porter, the Group Controller, will address the  
18 specifics of these and other expense issues later in  
19 the hearings.

20 As the Director indicated, the rate increase  
21 that Recology seeks averages 16.4% per customer after  
22 accounting for proposed rebates. For a typical  
23 single-family residence, the increase would be from the  
24 current rate of \$35.18 a month to \$40.88 a month,  
25 a monthly increase of \$5.70. And as you'll hear,

1 Recology's collection rates continue to compare very  
2 favorably to those in other Bay Area cities.

3           The Companies welcome the scrutiny. That is  
4 an important of this process. As you will hear, the  
5 Companies are enthusiastic about the many programs  
6 Recology offers with the City's support and about how  
7 those programs benefit the city's residents and our  
8 environment. To sustain these programs, Recology now  
9 seeks this rate adjustment which, apart from small  
10 cost-of-living increases, will be its first in four  
11 years.

12           So with that, let me now step down and let you  
13 hear from the folks who run the programs, who have done  
14 the number crunching and analysis that you'll hear more  
15 about.

16           Thank you very much.

17           Shall we call our first witness?

18           DIRECTOR NURU: Yes, please.

19           MR. BAKER: Okay. Mark Arsenault, please.

20           DIRECTOR NURU: Okay. Our clerk will swear in  
21 the witness as they introduce themselves.

22                           MARK ARSENAULT,  
23           having first been duly sworn, was  
24           examined and testified as follows:

25                           DIRECT EXAMINATION

1 BY MR. BAKER:

2 Q. Good morning, Mr. Arsenault.

3 A. Good morning.

4 Q. Can you state your full name, please.

5 A. Mark Arsenault.

6 Q. What is your position at Recology?

7 A. Vice President, Group Manager of Recology  
8 San Francisco.

9 Q. When did you take on that responsibility?

10 A. Three years ago.

11 Approximately three years ago.

12 Q. And your predecessor was who?

13 A. John Legnitto.

14 Q. And he passed away and you took his place?

15 A. That's right.

16 Q. So in that position, what are your  
17 responsibilities as they relate to why we're here today?

18 A. I oversee and am responsible for all the  
19 operations in San Francisco, including collections and  
20 processing, all the facilities' safety operations,  
21 customer service, maintenance -- the entire operations  
22 in the city.

23 Q. And there are Recology subsidiaries for which  
24 you are responsible?

25 A. There are. Two collection subsidiaries,

1 Recology Sunset and Recology Golden Gate, as well as  
2 the processing facility Recology San Francisco.

3 MR. BAKER: Mr. Clerk, would you put that  
4 first slide up?

5 Thank you.

6 BY MR. BAKER:

7 Q. So those companies are depicted on the screen  
8 that's displayed?

9 A. They are.

10 Q. So can you describe just -- I think most  
11 people here are probably familiar with all this --

12 Your screen's not working?

13 A. No. But -- now it is. Got it.

14 So the circle to the right represents the  
15 collection companies. They're geographically separated  
16 in the city -- Sunset Scavenger as well as Golden Gate.

17 Q. It's actually to the left.

18 A. It's to the left.

19 Sorry, first circle to the left.

20 And then all of the materials that are  
21 collected from those companies are processed initially  
22 through Recology San Francisco, which would include  
23 the circles further to the right. The organics  
24 materials, those are transferred and go to the two  
25 processing facilities that you mentioned earlier,

1 both Blossom Valley North as well as Jepson Prairie.  
2 The recyclables, they are processed here in the city at  
3 Recycle Central on Pier 96. And then all of the trash  
4 is transferred to Hay Road in Vacaville.

5 Q. Now, when Recology San Francisco sends  
6 organics to the two Recology composting facilities that  
7 you described, Jepson and Blossom Valley, is Recology  
8 San Francisco charged a tip fee?

9 A. They are.

10 Q. And is that tip fee incorporated into the  
11 Recology San Francisco's costs for this rate  
12 application?

13 A. That's correct.

14 Q. And when Recology San Francisco sends trash to  
15 the landfill at Hay Road, does Hay Road charge Recology  
16 San Francisco a tip fee for that?

17 A. They do.

18 Q. And is that tip fee also incorporated into the  
19 costs that make up this application?

20 A. Yes.

21 Q. And then what about when Recology  
22 San Francisco sends material from the transfer station  
23 which is at Tunnel Beatty; is that right?

24 A. Yes.

25 Q. When it's sent over to the transfer station at

1 Pier 96 for processing, how is that handled?

2 A. Actually, most of the material goes directly  
3 to that location in collection trucks. All the revenues  
4 from that material flow back in through the rates. They  
5 are an offset essentially to the cost. The tipping fees  
6 for all three commodities have a single rate that is  
7 essentially passed through the collection companies.

8 Q. So the collection companies -- Recology Sunset  
9 Scavenger or Recology Golden Gate are charged a tip fee  
10 by Recology San Francisco?

11 A. That's correct.

12 Q. And the tip fee that Recology San Francisco  
13 charges the collection companies covers both the  
14 collection of black bin material and also the collection  
15 of the blue and green bin material?

16 A. Yes.

17 MR. BAKER: We're going to have a number of  
18 exhibits, so I think -- let's start by marking the  
19 application as Exhibit 1. And the application is very  
20 thick. It's also available online. So I think we  
21 worked out an agreement with Ms. Dawson that what we  
22 would put in the binders and submit here as an exhibit  
23 will be an abbreviated version of the application and  
24 the full record will be reflected with the online  
25 version.

1 Is that acceptable, Mr. Nuru?

2 DIRECTOR NURU: Yes.

3 We'll mark it and proceed.

4 MR. BAKER: The application is marked as  
5 Exhibit 1.

6 BY MR. BAKER:

7 Q. Mr. Arsenault, why did three Recology  
8 companies submit an application for rate adjustment at  
9 this time?

10 A. We reached a point where our revenues needed  
11 an adjustment to accommodate all of the not only  
12 existing costs, but new programs that are anticipated  
13 in this rate application.

14 Q. And the last rate hearing was in 2013?

15 A. That is correct.

16 Q. So it's been four years?

17 A. It has been.

18 Q. Now, part of the procedural rules for these  
19 proceedings call for a workshop to be put on before the  
20 hearings begin; is that right?

21 A. That's right.

22 Q. And you attended that workshop?

23 A. I did.

24 Q. Do you remember when that was?

25 February 27, wasn't it?

1 A. Yeah.

2 Q. February 28th?

3 A. Yes.

4 Q. Okay. And did you distribute a PowerPoint  
5 presentation at that workshop?

6 A. I did.

7 MR. BAKER: Why don't we go ahead and put that  
8 into evidence.

9 So a document entitled "Recology 2017 Rate  
10 Application Technical Workshop, February 2017" will be  
11 marked as Exhibit 2.

12 MR. PRADHAN: And just for the record,  
13 Exhibit 1 was received in evidence, "2017 Refuse Rate  
14 Application." There is 18 pages.

15 (Exhibit 1, "2017 Refuse Rate Application  
16 [Recology]," was admitted into evidence.)

17 (Exhibit 2, "Recology 2017 Rate  
18 Application Technical Workshop PowerPoint  
19 [Recology]," was admitted into evidence.)

20 BY MR. BAKER:

21 Q. I'd like to show you one of the slides that  
22 you used at the workshop. And this slide is more or  
23 less a summary of some of the issues that you discussed  
24 at the workshop?

25 A. It is.

1 Q. So could you -- using this as an aid if you  
2 want -- describe to us in a little more detail what the  
3 cost drivers are for this new rate application.

4 A. Certainly.

5 Q. Before you do that, I guess I should add that  
6 the Group Controller, John Porter, will testify later  
7 and will dig into the details of the expenses further.  
8 But I wonder if you could just give us an overview.

9 A. I'll start over on the left with "Program  
10 Changes." One of the first big cost drivers is actually  
11 this program change which is designed to reduce the size  
12 of the trash can and increase the size of the blue bin.  
13 The current default service that most residents have is  
14 a 32 gallon blue bin, a 32 gallon black bin, and a  
15 32 gallon green bin. And what we're looking to do is  
16 actually trying get to zero waste as to reduce the  
17 amount of space that can be used to discard materials.

18 And so by reducing that black bin to  
19 16 gallons, half the size of the 32, we think that will  
20 more accurately represent materials that are remaining  
21 that cannot be repurposed or recycled and then double  
22 the capacity of the blue bin, the recyclable bin. With  
23 the onset of Amazon and all the cardboard and all the  
24 additional materials that we can now recycle, there is a  
25 need for changing that service. It was initiated many,

1 many years ago when some of those commodities were sort  
2 of at equal balance, if you will, with trash. That time  
3 has changed, so we think it's time to change those  
4 containers. And then to keep the compostable bins the  
5 same. That seems to be adequate as well for the way  
6 residents were using the service.

7           So in making those changes, it drives us to  
8 look at our existing fleet of collection vehicles which  
9 were designed many years ago with the good intent of  
10 increasing productivity. By instead of having three  
11 trucks go by every home, we were able to put two trucks  
12 by every home. And the collection as it is today and as  
13 it was started many years ago is to collect the  
14 recyclables in one side of the truck and the trash on  
15 the other side of the truck and the compostables are  
16 collected in a separate truck. And the reason for that  
17 is that not everyone sets out the green or compostable  
18 materials every week, so we're able to take advantage of  
19 that efficiency of adding more homes, if you will, to  
20 that route because it doesn't stop at every home.

21           So in shifting to the smaller trash, upsizing  
22 the blue, we need to reconfigure the way trucks are  
23 collecting at the homes. We still want to stay with the  
24 two trucks. Nobody wants any trucks going by their  
25 home, but we certainly don't want three if we can help

1 it. And so what we'll do is -- or what we're proposing  
2 to do is shift that green which is more imbalanced  
3 weight-wise, volumetrically-wise with the trash in a  
4 split-body truck and then repurpose and add trucks for  
5 the single-chamber trucks to pick up recyclables. That  
6 way, we can make sure that we're collecting all that  
7 cardboard that seems to be in the stream as well as all  
8 the other additional recyclables. So it will be a much  
9 better fit for what we're trying accomplish.

10 Additionally, as I look down this list --

11 Q. Before you do that, let me ask a couple  
12 questions to what you just said.

13 Are all customers going to be required to  
14 reduce the size of their black bin from 32 gallons to  
15 16 gallons?

16 A. No, they won't be required, but it will be the  
17 default program. So the program is anticipated to roll  
18 out over two-year period. It will be the new default  
19 service, if you will. You will have the option to opt  
20 out if you want to use that size and continue with the  
21 configuration that you have or change that  
22 configuration. But if we don't hear from you, we're  
23 intending to deliver the two new carts, the 16 black and  
24 the 64 blue.

25 Q. Will customers who have limited storage space

1 for their three cans, are they going to be upset by  
2 these blue cans becoming twice as large? I mean, will  
3 its profile be twice as wide or twice as tall? How will  
4 that work?

5 A. That's good question. Its profile won't be  
6 twice as wide or twice as tall, but it will be a little  
7 wider, certainly a little higher. Those carts can be  
8 seen. Several residents already have those 64-blue  
9 carts. People with larger families already subscribe to  
10 them. But in some cases it will be difficult and we  
11 might have to make some accommodations for that.  
12 We're hoping it will be limited.

13 Q. Have you had any experience under the current  
14 program of customers filling the blue bins to the brim,  
15 not having enough room for recyclables, and therefore  
16 putting recyclables in the black bin where they have  
17 more room?

18 A. Well, I can tell you one thing: The blue bins  
19 are absolutely at capacity as you drive through the  
20 city. You see the lids up quite a bit. You see  
21 cardboard outside, so that tells me that that is overdue  
22 in terms of changing the capacity of that bin for many  
23 residents. If they are not able to fit cardboard in the  
24 blue bin, we do encourage them to put them in the green  
25 bin if they're compostable, but we are constantly

1 striving to achieve the highest and best use of these  
2 materials and composting cardboard is not the best use  
3 of that material.

4 Q. The best use is to recycle them?

5 A. Absolutely.

6 Q. You mentioned about the cardboard. And from  
7 your perspective, you're seeing more cardboard in the  
8 system?

9 A. Yes.

10 Q. And why do you think that's so?

11 A. Amazon is having a big influence on that.

12 Q. Can you explain what you mean by that?

13 A. A lot of people are shopping online, so  
14 people's buying patterns have changed dramatically over  
15 the years. More and more shopping is done online,  
16 if you will. Unfortunately, it comes with a lot of  
17 packaging. A lot of packaging. And so we need to  
18 adjust the system to accommodate that.

19 Q. So continuing on your slide here regarding  
20 what's driving this particular rate application, what's  
21 the next item?

22 A. The next item is "Abandoned Material  
23 Collection." We have a very robust program, the 311  
24 program that's integrated into Public Works. We have a  
25 service responsibility to pick up abandoned materials

1 that are dispatched through a central hub within four  
2 hours' notice. And unfortunately, we continue to see a  
3 lot of abandoned materials, and we want to make sure we  
4 keep the city clean and get that material off the street  
5 in a timely fashion. And so the projections really do  
6 speak to the need to increase that service.

7 Q. This is an anecdotal question that will never  
8 be permitted in court, but do you think that Recology's  
9 practice and ability to respond to abandoned material  
10 requests more quickly has had any impact on the behavior  
11 of citizens of the city in terms of using that service?  
12 Or is that not a problem, do you think?

13 A. I can't say one way or another with respect to  
14 our quick response. But you know, the ease with which  
15 people can use their cell phones to use the 311 app is  
16 clearly, I think, an influencing factor.

17 Q. But in any event, this application seeks  
18 additional funding to expand the abandoned materials  
19 program?

20 A. It does.

21 Q. And the additional funding is for more trucks  
22 and more people?

23 A. That's right.

24 Q. And again, we'll hear more about the specifics  
25 of that later on.

1           A.       I'll shift over to "Higher Costs."

2                   "Composting regulations," it's a very  
3 different application when you are composting what  
4 people consider to be yard waste or green waste versus  
5 food waste. And in San Francisco, the abundance of the  
6 compostables that we manage are in fact food waste, both  
7 commercial and residential. We have all sorts of food  
8 waste. We are a Mecca for food waste here.

9                   And so the water board and the air board and  
10 other regulatory agencies in California have looked at  
11 this issue. There's also new legislation that will be  
12 expanding the collection and processing of food waste in  
13 California. And so in anticipation of that, these  
14 regulations are governing, if you will, improvements to  
15 the sites and upgrades to the sites to make sure there's  
16 protection for the environment. And it adds costs,  
17 essentially, to managing and processing this material.  
18 So that is one of the drivers. The other is the  
19 landfill agreement that you spoke about.

20           Q.       So as far as the organics -- so that means  
21 that the tip fee you're charged by Jepson and by Blossom  
22 Valley has gone up and that's also driving higher costs  
23 for Recology San Francisco?

24           A.       That's correct.

25           Q.       And what about the landfill agreement?

1           A.       The landfill agreement was -- I don't quite  
2 know the age of the prior one, but I think it's 25-plus  
3 years; so it was done at a negotiated very low rate.  
4 It stayed in place for all those years and, as you  
5 described, the new landfill tip fee is higher.  
6 And so that's a big driver on the issue of costs.

7           Q.       And so who has the contract now for the  
8 landfill?

9           A.       Recology Hay Road.

10          Q.       And is that a contract between the City and  
11 Recology Hay Road?

12          A.       That's correct.

13          Q.       When did the City begin -- or when did  
14 Recology, at the direction of the City, begin sending  
15 trash to Hay Road?

16          A.       January of last year.

17          Q.       And where did it go before?

18          A.       Altamont Landfill.

19          Q.       And Altamont is operated by whom?

20          A.       Waste Management.

21          Q.       Now, Recology got the contract for the  
22 landfill in a competitive bid; is that right?

23          A.       That's right.

24          Q.       And who is the other bidder that steps along  
25 the way to be qualified?

1           A.       That predates me, but certainly Recology  
2 Hay Road. I don't know who the other bidders were.

3           Q.       Do you know if Waste Management was one of the  
4 bidders?

5           A.       Yes.

6           Q.       Okay. But that was before you got -- you were  
7 involved -- you were responsible for other Recology  
8 matters. Actually, I should ask you: What did you for  
9 Recology before you became the Group Manager here in  
10 San Francisco?

11          A.       I had a similar role for Recology South Bay,  
12 so all the counties essentially on the west side and the  
13 south side of San Francisco: San Mateo County,  
14 Santa Clara County, San Benito County, all of those  
15 counties.

16          Q.       And how long have you worked for Recology  
17 altogether?

18          A.       Twelve years.

19          Q.       And who did you work for before that?

20          A.       I worked for Waste Management for a series of  
21 years as well as a company called BFI, Browning-Ferris  
22 Industries, for many years.

23          Q.       So the landfill agreement is more expensive?

24          A.       It is.

25          Q.       What about labor?

1           A.     I believe there is a -- you know, "the labor,"  
2 you're talking labor related to the landfill?

3           Q.     No, labor related to this rate application.

4           A.     Labor related to this rate application?

5                     Two components on the labor. One is a new  
6 labor agreement, and the other is the additional head  
7 count necessary for the expansion of these programs.

8           Q.     And in terms of the narrative that is  
9 submitted with the application identifies labor costs  
10 as one of the drivers of the increased expenses.

11                    Approximately how much of the increased labor  
12 costs are attributable to the collective bargaining  
13 agreement that was recently signed and how much is  
14 attributable to new programs?

15           A.     John could probably better speak to that,  
16 but it's roughly half and half.

17           Q.     Now, a new lease agreement with the Port is  
18 not listed on your slide because it's fairly recent,  
19 I think.

20           A.     It is recent.

21           Q.     Tell us about that.

22           A.     Maurice will be the best person to describe  
23 that lease. But it has a reset provision that has taken  
24 effect or will be taking effect. I don't know that it's  
25 more than double, but it's certainly if not close to

1 double, double the cost that we've been paying. And it  
2 also has an escalating -- an encapsulated look at the  
3 biggest increase is a rent reset that is predicated on  
4 other lease arrangements that the Port has in the  
5 southern part.

6 Q. And this is for Pier 96?

7 A. It is, yeah. Recycle Central at Pier 96.

8 Q. Now, further important feature of the  
9 application are proposed facility improvements. So  
10 let's start with the West Wing. What is driving that  
11 part of the application?

12 A. You touched on it, but essentially the  
13 facility is not only too small for the 600-plus tons of  
14 compostables that we move through that little building  
15 every day, but it is virtually rotting under the heavy  
16 acidity of the nature of the compostables. It is not  
17 able to adequately contain the moisture that is,  
18 you know, very prevalent in organic material as well as  
19 odor and actually can't be completely enclosed, so there  
20 are a number of issues with that building.

21 We're in an area that, many years ago, didn't  
22 really have any neighbors, but we have a large number of  
23 new neighbors and existing neighbors that we meet with  
24 and we want to make sure we are good neighbors. And  
25 that program has grown to the point where we really have

1 to have a facility that better manages that. And so it  
2 will be the West Wing, hopefully. That will be an  
3 addition to extend out to the west side of the transfer  
4 station. It will have a separate loadout. It will have  
5 an air/odor control monitoring system as well as have  
6 high-speed doors. So it will be a state-of-the-art  
7 facility for that kind of transfer of material.

8 Q. And what is Recology's proposal as to when  
9 they would like to start construction of that new  
10 building?

11 A. As soon as it's approved.

12 Q. Now, the application also includes a pilot  
13 program for black bin processing, which relates to these  
14 other housed new facilities. So tell us a little bit --  
15 we'll hear more detail about this from Mr. Quillen, but  
16 tell us a little bit about what is proposed with regard  
17 to this pilot program.

18 A. Certainly. We average approximately  
19 1,100 tons of black bin or trash material that goes  
20 right into what we call "the pit" and right to the  
21 landfill. So this proposal is looking to separate  
22 100 of the 1,100 tons a day in organic rich loads,  
23 preferably, then run it through a series of screens  
24 as well as a press, and we're looking for two  
25 commodities as a result of that separation of

1 processing.

2           One is the what we call the "overs."  
3 There are still plastics, bottles, cans, other  
4 recyclables, paper, that remain in that trash. And  
5 then the organic fraction will be pressed under high  
6 pressure and extract the organic fraction that is then  
7 going be sent over to East Bay MUD and converted through  
8 digestion into electricity. Those overs, then we'll be  
9 able to process them and recover those materials.  
10 You have to have a mechanism to get them efficiently  
11 into a transfer truck, get them over to Recycle Central,  
12 and then set up some sort of screening systems that we  
13 have anticipated to be put in place that will then  
14 segregate those materials and ideally extract the  
15 recyclables that remain.

16           Q.     So you say this is a pilot program. So does  
17 that mean that Recology is not yet convinced that this  
18 is the way to go as far as collecting material?

19           A.     Yeah, that's fair way to, I think,  
20 characterize that. We wanted to make sure in the  
21 contingent schedule that we really understand this  
22 material very well. We have a series of vendor partners  
23 that are working with us that have helped us through the  
24 Recycle Central modifications, which have been  
25 extraordinarily successful. Everyone has a different

1 view, frankly, of how to process trash, and we want to  
2 make sure we get it as close as right before we launch  
3 on 1,100 tons a day.

4 Q. Is processing trash kind of the last frontier  
5 toward zero waste?

6 A. It is. In this environment, it is. Other  
7 think you can burn it, but we're not subscribing to  
8 that. So yes, it is last frontier.

9 Q. Is it fair to say that the technology of  
10 dealing with that, those last few steps toward zero  
11 waste, the black bins, has not yet been solved?

12 A. Absolutely. Not yet been solved and looking  
13 at different possible technologies that actually,  
14 you know, utilize that trash or set them up into many  
15 different manufacturing scenarios. So we're looking at  
16 everything.

17 Q. So that brings me back to the contingent  
18 proposals of the new facilities. We'll return to the  
19 black bin process in a moment, but tell us about the  
20 thoughts regarding iMRF.

21 A. The iMRF is an approximately 40,000 square  
22 foot building, which seems large but not when you're  
23 managing the really bulky construction, demolition,  
24 and other type of bulky materials. We handle, again,  
25 600-plus tons a day of that material. It is running

1 through a line, a processing line that is entirely  
2 manual. You can imagine the difficulty in capturing the  
3 recyclables in that kind of scenario. The technology  
4 has advanced substantially in the years since that  
5 equipment was put in place. There's a lot of air  
6 separation and other optical systems that are able to  
7 assist with that separation.

8           So it too is very outdated, and so what we're  
9 looking to do is relocate it and put in new equipment  
10 that will move our ability to dramatically recover those  
11 materials from approximately 50% to 70% or better.  
12 And so significant improvements as well as the ability  
13 to handle the volumes that are presently going who knows  
14 where. But anyway, I think something would be good for  
15 the future that in repurposing that building, we'll then  
16 be able to --

17           Q. Before you get to repurposing, let me ask you  
18 about regarding the iMRF.

19           A. Sure.

20           Q. Are there some occasions when Recology cannot  
21 process all of the construction and demolition debris  
22 that is presented to it and has to be sent to another  
23 facility to be processed?

24           A. Yes, during peak seasons. That's accurate.  
25 Those materials begin -- we just can't get through that

1 much material.

2 Q. And where do you send it?

3 A. Down to San Jose.

4 Q. To another company?

5 A. To another company.

6 Q. And why is this proposal for a new iMRF called  
7 a "contingent schedule" as opposed to just being part of  
8 the current application?

9 A. Because it's dependent upon a couple of  
10 things. It's dependent upon permitting, permitting  
11 approval, environmental approval, as well as final  
12 construction drawings and final costs. So you know,  
13 it's essentially shuffle-ready, if you will. Right now  
14 it's on paper with a lot of work that engineers have  
15 done to, you know, spec it out. But it's contingent  
16 upon the final cost as well as the permits included.

17 Q. And again, we'll hear more about the details  
18 of that later both in terms of the costs and plans.

19 But if you are successful in building a new  
20 iMRF, that would leave the current facility empty;  
21 correct?

22 A. That's correct. We still definitely use this  
23 facility until the plan isn't actually contingent.  
24 We'll be able to put the materials into what we call  
25 "pits," and then transfer it across into what was the

1 iMRF, and set the processing operation up on that side  
2 of the facility. It gives us more flexibility in terms  
3 of transfer and processing.

4 Q. In terms of where the current iMRF is located?

5 A. Yes.

6 Q. But isn't that also a part of the proposal for  
7 the new -- a new black bin processing facility?

8 A. Yes. If I confused you, once the iMRF is  
9 moved, then that space, approximately 40,000 square feet  
10 plus the existing space in the pit will all be utilized  
11 to manage and process the trash.

12 Q. Again, using processes and technologies that  
13 are still being worked on?

14 A. That's correct.

15 Q. All right. Let's move to the proposed rate  
16 increase.

17 Again, is this another one of these slides  
18 that you used at your workshop?

19 A. It is.

20 Q. So the slide has several columns. And we have  
21 "Current Default Service" on the left, and then the  
22 middle "Current Default Service Levels with New Rates,"  
23 and then on the far right, "Proposed Default Service  
24 Levels with New Rates."

25 So can you explain what's depicted here.

1           A.       Yes. Starting, I guess, with the "Unit  
2 Charge," the columns are all self-explanatory as you  
3 described. You got the component, and then the volumes  
4 in gallons, and then the charge across the board for  
5 both the current default and new service levels and then  
6 the proposed default service levels.

7                       So the component, if you will, or rather the  
8 unit charge, that is presently a \$5.16 per home charge.  
9 I don't believe it was in place prior to the last rate  
10 application. And essentially it's an effort to  
11 restructure the economics to account for the fact that  
12 as we shrink from black to zero, ideally there needs to  
13 continue to be a source of revenue to be able to fund  
14 the collection service. So that's one aspect of the  
15 unit charge. The other is that there's a fixed amount  
16 of cost in just getting these trucks to every home.  
17 And so that's why it was introduced that way.

18                      And then the trash is presently at \$25.90, and  
19 the blue is at \$2.06 and the green is at \$2.06. None of  
20 those fees, if you will, accurately reflect the cost of  
21 providing those services. I am sure at one time the  
22 blues probably had no cost and the green as well.  
23 But in actuality, all these of those carts are  
24 respectively the same costs to collect with the  
25 exception of the processing fees and some other minor

1 modifications.

2 So the new default service level proposes to  
3 change the fixed cost to \$20 dollars, which more  
4 accurately reflects the cost of just getting these  
5 trucks to the homes. And then the trash brought down  
6 from \$25.90 to \$10.44. And then we used even increments  
7 of that \$10.44 and replaced the blue with half the cost  
8 and green as well. So that is the thought process in  
9 developing this rate structure, if you will.

10 Q. So following up on this bid, as you mentioned,  
11 the last rate hearing in 2013 was the first time that a  
12 unit charge became part of the rate structure.

13 Is that your general --

14 A. That's my understanding.

15 MR. BAKER: And we will offer the 2013  
16 Director's report as an exhibit a little bit later,  
17 because I think that does provide important perspective.  
18 BY MR. BAKER:

19 Q. But in 2013, with the introduction of the unit  
20 charge, it was -- it's now \$5.16; is that right?

21 A. Yes.

22 Q. And this rate application proposes that go up  
23 to \$20?

24 A. That's correct.

25 Q. But then it also proposes that the charge for

1 the black bin go down?

2 A. Yes.

3 Q. And it proposes that the charge for the black,  
4 blue, and green bins all be in effect the same based on  
5 volume?

6 A. Yes.

7 Q. And that is \$5.22 per 32 gallons?

8 A. Correct.

9 MR. BAKER: This is my assistant here.

10 MR. PILPEL: \$5.22 per 32 gallons.

11 MR. BAKER: Oh, thank you. I misspoke.

12 Mr. Nuru, everyone. Mr. Pilpel.

13 BY MR. BAKER:

14 Q. Now, if someone accepts the default service,  
15 which is the far right-hand section, will they end up  
16 with more overall capacity for the same price as the  
17 current service?

18 A. They will. 16 gallons more capacity, that  
19 obviously being with the larger blue bin.

20 Q. And that's because you add 16 gallons for  
21 the black, 64 gallons for the blue, 32 gallons for  
22 the green, and that comes up to a higher number than  
23 32 times three?

24 A. Exactly.

25 Q. Okay. Now, this is the proposed rate for a

1 single-family home. And I think you've mentioned this,  
2 but customers can choose different sizes if they want.  
3 They can choose more volume, less volume?

4 A. The only thing that they will not be able to  
5 select which they currently are able to is a 96 gallon  
6 black service. We just feel that there is no logical  
7 reason for someone to have a single-family home to have  
8 that much black service; so that will be eliminated.

9 Q. Some customers today have a 20 gallon black  
10 bin; is that right?

11 A. That's correct.

12 Q. Will people be able to keep that?

13 A. They will. They'll be able to keep the  
14 20 gallon cart so long as the cart continues to be  
15 functional and useful. We don't want to just go out and  
16 replace those carts. They're close in capacity to the  
17 16s, and so I think it would be a good use of the  
18 existing carts.

19 Q. Okay. And then there are other rates for  
20 apartment buildings; correct?

21 A. Yes.

22 Q. And we'll hear about the details of those from  
23 other witnesses.

24 A. All right.

25 Q. So I'd now like to turn to another important

1 feature of this application, and that is the use of the  
2 Zero Waste Incentive funds and Special Reserve funds.  
3 And this again, is another one of the slides you used in  
4 your workshop; is that right?

5 A. Yes.

6 Q. So can you generally describe to us what the  
7 Zero Waste Funds are and how they factor into this  
8 application?

9 A. The Zero Waste Funds are incentive  
10 opportunities for the companies to earn more if we  
11 achieve certain diversion goals. They are essentially  
12 broken down into four tiers, 1 through 4. Each of the  
13 tiers, if it is accomplished in terms of diversion, is  
14 the equivalent of one-half of 1% of profit.

15 And so that's the Zero Waste Incentive. Tiers  
16 1 and 2 of the four, if they're not achieved, they're  
17 then rebated back to the customer to offset any  
18 additional rate increases or rates, if you will.

19 Tiers 3 and 4, if they're not achieved, we're  
20 able to apply to the Director of Public Works for use of  
21 those funds to further our technology and our efforts to  
22 recover that material. Recycle Central, Pier 96 was a  
23 good example recently of how the Tier 3 and 4 funds were  
24 applied to rebuilding that facility, which has had  
25 phenomenal --

1 Q. Phenomenal what?

2 A. Very, very positive impact.

3 Q. Now, the Zero Waste Fund was established by  
4 the 2013 Director's Report and Rate Order; is that  
5 right?

6 A. That's my understanding.

7 MR. BAKER: And again, we'll offer the 2013  
8 Director's Report later as an exhibit.

9 BY MR. BAKER:

10 Q. But you indicated that the Tier 3 and Tier 4  
11 funds under the Zero Waste account could be used by the  
12 Company with the approval of the City for certain  
13 purposes to improve recycling and improve recovery,  
14 improve the system; is that right?

15 A. That's right.

16 Q. And did Recology achieve the Tier 3 and Tier 4  
17 levels --

18 A. No.

19 Q. -- in any of the years since the 2013 rate  
20 order?

21 A. Not to my knowledge.

22 Q. And did Recology therefore make an application  
23 to the City to use those funds?

24 A. We did.

25 MR. BAKER: I have some exhibits that I'll put

1 in that will appear on that question.

2 BY MR. BAKER:

3 Q. Exhibit 3 is a nine-page document entitled  
4 "Recycle Central Material Recovery Facility Upgrade  
5 Proposal, December 8, 2015," is that right?

6 A. Yes.

7 MR. PRADHAN: Exhibit 3 will be moved into  
8 evidence.

9 (Exhibit 3, "Recycle Central Material Recovery  
10 Facility Upgrade Proposal, December 8, 2015  
11 [Recology]," was admitted into evidence.)

12 MR. BAKER: Thank you.

13 BY MR. BAKER:

14 Q. What is Exhibit 3?

15 A. Exhibit 3 is the proposal from the Company for  
16 its improvements to Recycle Central in use of the  
17 available Tier 3 and 4 funds that we cannot achieve in  
18 terms of our current numbers.

19 Q. And this was a proposal that describes  
20 specifically what Recology was proposing to be done with  
21 those funds; is that right?

22 A. It is. It gets into some detail in terms of  
23 the equipment, that the expectations -- or the outcome,  
24 and largely describes the capital improvements we were  
25 proposing and the costs associated with them.

1 Q. So Mr. Quillen, after you're done, describe  
2 the improvements in more detail. But if you look at  
3 page 8 at the bottom of Exhibit 3, does that set forth  
4 the proposed project costs?

5 A. It does.

6 Q. And what's the total cost?

7 A. Approximately \$11.3 million.

8 Q. Exhibit 4 is a letter dated January 29th,  
9 2016, two pages, from Mr. Nuru to you, Mr. Arsenault;  
10 is that correct?

11 A. Yes.

12 MR. BAKER: So we offer this as Exhibit 4.

13 MR. PRADHAN: Exhibit 4 is moved into  
14 evidence.

15 (Exhibit 4, "January 29, 2016 letter  
16 [Recology]," was admitted into evidence.)

17 BY MR. BAKER:

18 Q. So is this letter, January 29, 2016, the  
19 response that Recology received to its Pier 96 proposal?

20 A. Yes.

21 Q. And essentially the Director of Public Works  
22 approved of the proposal; is that correct?

23 A. Yes.

24 Q. Now, was there -- were the funds available  
25 under the zero waste program sufficient to cover the

1 entire \$11.3 million dollar cost as of the time of this  
2 letter, early 2016?

3 A. No, there were not at that time.

4 Q. So what in particular did Recology seek  
5 approval for as far as funding at this point,  
6 January of 2016?

7 A. At this point it was for Tier 3 and 4 funds  
8 from '13/'14 and '14/'15 in the amount of approximately  
9 \$6 million dollars.

10 Q. And by the letter of January 29, 2016, the  
11 Director of Public Works approved release of those funds  
12 to Recology?

13 A. Yes.

14 Q. Exhibit 5 is a letter dated August 25th, 2016,  
15 one page, again from you, Mr. Arsenault, to Mr. Nuru?

16 A. Yes.

17 Q. Is this a letter you sent to Mr. Nuru on that  
18 date?

19 A. It is.

20 MR. BAKER: Okay. So we ask for the admission  
21 of Exhibit 5.

22 MR. PRADHAN: Exhibit 5 will be moved into  
23 evidence.

24 (Exhibit 5, "August 25, 2016 letter  
25 [Recology]," was admitted into evidence.)

1 BY MR. BAKER:

2 Q. What is the purpose of this letter,  
3 Mr. Arsenault?

4 A. The purpose of this letter was by August,  
5 we had passed the July -- essentially the measurement  
6 date of achieving or not achieving those diversion  
7 goals. We did not achieve those diversion goals, so at  
8 that time we were able to request those funds to  
9 complete that project at Recycle Central. And that  
10 amount was approximately \$3 million dollars.

11 Q. In particular, \$3,200,550.50?

12 A. That's right.

13 Q. And there's also reference to "Unused Textile  
14 Program Funds." What was that about?

15 A. Yeah, that was a pilot program that we had  
16 done sometime earlier to measure and determine the  
17 viability and economics of collecting textiles from  
18 single-family homes. So those were funds that had not  
19 been used and we asked that they be repurposed for this  
20 project.

21 Q. And again, those were also Tier 3 and Tier 4  
22 funds?

23 A. They were.

24 MR. BAKER: Exhibit 6 is a letter dated  
25 September 1, 2016, from Mr. Nuru to you, Mr. Arsenault,

1 one page.

2 I request the admission of Exhibit 6.

3 MR. PRADHAN: Exhibit 6 is moved into  
4 evidence.

5 (Exhibit 6, "September 1, 2016 letter  
6 [Recology]," was admitted into evidence.)

7 BY MR. BAKER:

8 Q. Mr. Arsenault, this is a letter you got from  
9 Mr. Nuru?

10 A. Yes.

11 Q. And in this letter he approves the requests  
12 that you had made in your August 25th letter, Exhibit 5?

13 A. Yes.

14 Q. So the letter indicates that he approves both  
15 the \$3,200,550.50 and also the remaining balance in the  
16 textile diversion program; correct?

17 A. Yes, that's correct.

18 Q. So with the approval of these Tier 3 and 4  
19 funds, did that cover all the costs of the Pier 96  
20 upgrades?

21 A. It did not. There was a remaining shortfall  
22 of \$2.1 million dollars.

23 Q. And with the \$2.1 million, does that bring you  
24 up to the initial proposal of \$11,299,920 dollars?

25 A. It does.

1 Q. And that's the original proposal we saw in the  
2 December 2015 document, Exhibit 3; correct?

3 A. Yes.

4 Q. So where does Recology propose to -- how does  
5 Recology propose to address that final shortfall?

6 A. We are seeking approval for the Tier 3 and 4  
7 funding from '16/17. When it becomes available, it's  
8 anticipated that it will not be achieved again by this  
9 July; so we are anticipating that and looking to source  
10 those funds to complete the payment of the project.

11 Q. If Recology fails to meet the Tier 3 and  
12 Tier 4 targets for this current rate year, will that  
13 final funding for the Pier 96 upgrades exhaust all of  
14 those remaining Tier 3 and 4 funds?

15 A. It will not. There will be an anticipated  
16 balance of approximately a million dollars that we're  
17 also seeking in this rate application to be used for  
18 some final improvements to Recycle Central that will be  
19 important again for the facility to operate at peak  
20 performance.

21 Q. And Mr. Quillen will describe those --

22 A. He will.

23 Q. -- next.

24 All right. Let's talk now about the Special  
25 Reserve Fund and the new Reserve Fund. What is the

1 Special Reserve Fund? And how does that differ from  
2 the new Reserve Fund?

3 A. The Special Reserve Fund is a fund that was  
4 funded through the ratepayers with a 1% surcharge, if  
5 you will, for environmental issues or other issues that  
6 may have occurred throughout the life of the Altamont  
7 Landfill agreement. And when that contract concluded,  
8 there was a very large balance in that reserve fund that  
9 was then -- that's the Special Reserve Fund. So that  
10 came to an end with the end of that contract.

11 Q. Do you remember approximately how much was in  
12 that Special Reserve Fund at the time?

13 A. Approximately \$30 million.

14 Q. So that was at the beginning of 2016, as  
15 you indicated earlier, when the Altamont contract with  
16 Waste Management concluded?

17 A. That's right.

18 Q. And what is the new Reserve Fund?

19 A. The new Reserve Fund is essentially a similar  
20 reserve fund, if you will, for the new landfill  
21 location, and it's been described through the hearing  
22 process that it ultimately grow to a dollar amount --  
23 approximately \$10 million dollars, but over time. So a  
24 portion of the new Reserve Fund was funded through the  
25 Special Reserve Fund, and then the other monies were set

1 aside continuing within the Special Reserve Fund.

2 MR. BAKER: So the new Reserve Fund is a  
3 subject of the new landfill agreement between Recology  
4 Hay Road and the City, and we will at another hearing  
5 offer that into evidence because that should be part of  
6 the record because it does establish the new Reserve  
7 Fund.

8 The application of the moneys from the  
9 Altamont Special Reserve Fund has been the subject of  
10 two rate board proceedings, one in 2015 and one in 2016;  
11 so I wanted to now just offer those into the record so  
12 that we have that.

13 Ms. Pearce reminds me that I left out one  
14 document going back to the Zero Waste Incentive  
15 accounts, so let me offer that into evidence.

16 Exhibit 7 is a three-page letter dated  
17 February 15th, 2017, from you, Mr. Arsenault, to  
18 Mr. Nuru. And I'd like to offer that into evidence.

19 MR. PRADHAN: Moved into evidence.

20 (Exhibit 7, "February 15, 2017 letter  
21 [Recology]," was admitted into evidence.)

22 BY MR. BAKER:

23 Q. You mentioned earlier, Mr. Arsenault, about  
24 the approximately \$1.1 million that you anticipate will  
25 be remaining in the Tier 3 and Tier 4 for the current

1 rate year after application of funds to complete payment  
2 for Pier 96; is that right?

3 A. That's right.

4 Q. Is this letter the letter in which Recology  
5 proposes uses for that fund -- for that remaining  
6 \$1.1 million?

7 A. Yes. It describes in some detail additional  
8 equipment.

9 MR. BAKER: So now let's go back to the  
10 Special Reserve.

11 So Exhibit 8 is an order of the Rate Board  
12 dated December 16, 2015, four pages long.

13 And then Exhibit 9 is a letter dated  
14 October 30th, 2015, to the Rate Board with attachments  
15 in the entire exhibit, which I think is fourteen pages  
16 long.

17 So I'd ask that Exhibits 8 and 9 be admitted  
18 into evidence.

19 MR. PRADHAN: Exhibits 8 and 9 will be moved  
20 into evidence.

21 (Exhibit 8, "December 16, 2015 letter  
22 [Recology]," was admitted into evidence.)

23 (Exhibit 9, "October 30, 2015 letter  
24 [Recology]," was admitted into evidence.)

25 ///

1 BY MR. BAKER:

2 Q. Now, let's look at Exhibit 8. We'll look at  
3 these documents just briefly, but let's look at this  
4 exhibit for a second. This is the order of the Rate  
5 Board. And if you look at page 3, at the bottom of the  
6 page starting at line 17, it talks about the Rate Board  
7 concurring with the Department of Environment's proposal  
8 that \$1.25 million be transferred to the new Reserve  
9 Fund that you mentioned earlier, resulting from the new  
10 landfill agreement; and that \$12 million dollars be used  
11 to cover the "incremental costs of hauling and disposing  
12 of city waste under the Landfill Disposal Agreement.

13 Can you tell us a little bit about this  
14 \$12 million dollars and what was the reason for that  
15 request and that transfer as far as Recology was  
16 concerned?

17 A. Yes. With the new landfill agreement there  
18 were added expenses. And so -- and there was not an  
19 opportunity at that time to go through the rate  
20 application; so we had postponed that rate application  
21 in lieu of being able to utilize these Reserve Funds to  
22 offset the need for a rate increase at that time.

23 Q. So by June 30 of this year, those reserve  
24 funds will have been used for the incremental costs of  
25 the new landfill agreement?

1 A. Yes.

2 Q. And that's one of the reasons that you've  
3 described earlier why Recology is asking for a rate  
4 adjustment; correct?

5 A. Correct.

6 Q. And then Exhibit 9, is that the presentation  
7 that the Department of Public Works and the Department  
8 of the Environment made to the Rate Board for the  
9 hearing and then the order that is marked as Exhibit 8?

10 A. Yes.

11 MR. PRADHAN: Counsel, it looks like there may  
12 be some pages missing from Exhibit 9.

13 MR. BAKER: Really?

14 MR. PRADHAN: So you might at a later point --  
15 we ask that you submit a full copy and then we can refer  
16 to that as Exhibit No. 9.

17 MR. BAKER: Thank you. We will take care of  
18 that. Sorry about that. There's really important stuff  
19 that we have in there.

20 MR. PRADHAN: Thank you.

21 MS. DAWSON: Strike that.

22 MR. BAKER: Exhibit 10 is an order of the  
23 Rate Board dated August 16, 2016, a three-page document.

24 And then Exhibit 11, a two-page document dated  
25 June 24, 2016, from the San Francisco Environment to the

1 Rate Board.

2 So I ask that Exhibits 10 and 11 be admitted  
3 into evidence.

4 MR. PRADHAN: Yes. Admitted into evidence,  
5 Exhibits 10 and 11.

6 (Exhibit 10, "August 16, 2016 letter  
7 [Recology]," was admitted into evidence.)

8 (Exhibit 11, "June 24, 2016 letter  
9 [Recology]," was admitted into evidence.)

10 BY MR. BAKER:

11 Q. If you can look, Mr. Arsenault, at Exhibit 10,  
12 and in particular on the third page. First there's  
13 paragraph 3, starting on line 11, which says:

14 "The Rate Board concurs with the  
15 Department of the Environment's proposed  
16 distribution from the Special Reserve Fund  
17 which the transfer of an additional  
18 \$2.5 million from the Special Reserve Fund  
19 into the new Reserve Fund."

20 But then going down to paragraph 4, it says:

21 "The Rate Board orders that the remaining  
22 balance of \$13.85 million be retained in the  
23 existing Special Reserve Fund until such time  
24 as the Rate Board determines that there is no  
25 need for the fund, at which time the remaining

1 monies must be used to the benefit of  
2 ratepayers."

3 So my question is does this application  
4 propose a use for the remaining balance which was then  
5 \$13.85 million?

6 A. Yes.

7 Q. And what use has been proposed?

8 A. To help offset the rates.

9 Q. And how, in particular?

10 A. Over a series of years in this application,  
11 starting with 2018, the \$2.5 million dollar use of those  
12 funds.

13 Q. So is that depicted on one of the pages in  
14 your workshop presentation?

15 A. It is.

16 Q. And it's the second to last page, I think,  
17 of Exhibit 2; correct? Do you have that there?

18 A. Yes, it is. I have it, I have it.

19 Q. So tell us in particular what the proposal is  
20 with regard to the Special Reserve.

21 A. With regard to the Special Reserve on the  
22 proposal, it's to utilize the \$2.5 million dollars in  
23 rate year 2018, which takes effect July of '17. And  
24 then in subsequent years '19 and '20, another \$2 million  
25 dollars again in each of those years.

1 Q. And that would still leave a balance remaining  
2 in the Special Reserve Fund; correct?

3 A. It will.

4 Q. And what is the proposal with regard to those  
5 monies?

6 A. I believe that's to be determined still.  
7 I think there was a period of time that needed to elapse  
8 before that system changed.

9 Q. But in any event, is the ultimate destination  
10 for those funds proposed to be the New Reserve Fund?

11 A. Yes, I believe so.

12 MR. BAKER: Again, Mr. Porter will go into  
13 those with a little more detail. That's an excellent  
14 overview to get us started. That all the questions I  
15 have for you.

16 THE WITNESS: Thank you.

17 MR. BAKER: And I understand you may want to  
18 reserve cross-examination till later, but obviously he's  
19 here now if anybody has any questions.

20 DIRECTOR NURU: We'll reserve questions.

21 MS. DAWSON: Actually, I have some questions.

22 Good morning, everyone.

23 CROSS-EXAMINATION

24 BY MS. DAWSON:

25 Q. Okay. Mr. Arsenault, I'd like to ask a few

1 followup questions first about the Special Reserve Fund,  
2 since we were just talking about it, for the benefit of  
3 making people understand since having two Special  
4 Reserve Funds is a little bit confusing.

5           So the proposed use of the old Special Reserve  
6 Fund, which in effect is going over to the new  
7 Reserve Fund, can you give us a sense of what the  
8 benefit is of using the old fund balance in this way or  
9 some conditions in the new landfill agreement on the  
10 creation of the new Special Reserve?

11           Can you speak more on that?

12           A.       Certainly. So I'd like to say the naming  
13 convention gets a little confusing, but the old reserve  
14 fund for the Altamont Landfill is known as the "Special  
15 Reserve Fund." It had a balance of \$30 million dollars.  
16 So in closing down that contract, a portion of those  
17 funds were to be retained for a period of the time to  
18 make sure there weren't any claims against those funds.

19           A portion then of those funds, roughly --  
20 I believe it ultimately at that point started at \$1.25  
21 and I think it ultimately grew to \$4 million dollars --  
22 was then placed into what is called the "Reserve Fund,"  
23 which is a similar need and a use for those funds under  
24 the new landfill agreement, the Hay Road landfill  
25 agreement -- the conditions being that that reserve fund

1 would grow to approximately \$10 million dollars over a  
2 period of time.

3 The need for those funds is to have  
4 potentially as a rainy day fund. If some sort of an  
5 environmental issue was to occur where those funds were  
6 needed, it wouldn't have to go through a rate process;  
7 those funds could be used to offset that kind of special  
8 event.

9 And so then there's still a balance in that  
10 fund. There is not an anticipated need for more than  
11 what was approved, so those funds are anticipated to be  
12 returned to the ratepayers.

13 Q. So in the new landfill agreement there's a  
14 requirement for a surcharge, or at least the ability to  
15 assess a surcharge. So under your proposal, are you  
16 going be using that 1% surcharge that's specified in the  
17 new landfill agreement?

18 A. No.

19 Q. And the proposal that you are doing where  
20 you're transferring over time -- you were alluding to  
21 it, but I just wanted you to clarify this for the  
22 benefit of the public. As you use the new landfill  
23 agreement, you have relatively low tonnage and over time  
24 that tonnage increases. At the same time, the statute  
25 of limitation is running on the potential risks involved

1 with the old landfill agreement.

2 So is it fair to say that your proposal  
3 addresses those two balancing differences by leaving  
4 funds in the old Special Reserve, and as the statute of  
5 limitation approaches its end, the remaining balance of  
6 the old reserve fund is going down while the balance of  
7 the new reserve fund is going up?

8 A. You described it very accurately.

9 Q. Thank you.

10 And you've alluded to -- but just to be very  
11 clear, so in effect what you're doing with the Special  
12 Reserve Fund is offsetting your revenue requirement;  
13 so you're using it to the benefit of the ratepayers?

14 A. That's correct.

15 MS. DAWSON: I don't have any further  
16 questions about the Special Reserve.

17 THE WITNESS: Okay, thank you.

18 (Mr. Arsenault steps down from the  
19 witness stand.)

20 DIRECTOR NURU: Do you have another?

21 MR. BAKER: We can.

22 What time were you going to take the morning  
23 break?

24 DIRECTOR NURU: Probably now is a good time,  
25 so 10:01. So can everyone be back at 10:15.

1 Oh, our Ratepayer Advocate wants to say  
2 something.

3 MR. JONES: Sorry, Director. I just want to  
4 get on public record that I too reserve the right to  
5 cross-examine at a later date.

6 DIRECTOR NURU: Do you wish to --

7 MR. JONES: No. I wish to reserve the right  
8 to do it a little later pursuant to the questions and  
9 the feedback from the community.

10 DIRECTOR NURU: Okay, thank you.

11 So we will take a 15 minute break.

12 It's 10 o'clock now, so we'll resume at 10:15  
13 and we'll continue our hearing.

14 (Off the record at 10:01 a.m.)

15 (On the record at 10:17 a.m.)

16 DIRECTOR NURU: Okay, if we can get back in  
17 session. The City representatives would like to  
18 continue cross-examination of Mr. Arsenault.

19 (Mr. Arsenault steps up to the witness stand.)

20 MS. DAWSON: So I've requested that  
21 Mr. Arsenault stay up here a little while longer because  
22 I have some questions on tonnage and I have the first  
23 City exhibit, which is the tonnage overview. It is  
24 actually similar but not, unfortunately, identical to  
25 the presentation that has already been entered in --

1 I think it's Exhibit 2 from the technical workshop.

2 So just for the benefit of having all the  
3 information here, I'm going to go ahead and ask that  
4 this be entered into the record.

5 What number are we on, 12?

6 MR. PRADHAN: 12.

7 (Exhibit 12, "Tonnage Overview [City],"  
8 was admitted into evidence.)

9 BY MS. DAWSON:

10 Q. So we have slightly different versions. So at  
11 the technical workshop on the 28th, your presentation,  
12 Mr. Arsenault, included a page entitled "Tonnage  
13 Overview," which I've just entered into the record.

14 Can you confirm that this information provided  
15 by Recology that the "Rate Year 2018" column is  
16 consistent with the application?

17 A. I believe so. John Porter can speak to that  
18 more accurately.

19 Q. Okay. And can you explain what type of  
20 tonnage is included in the "Other" category?

21 A. Yes. The other categories would include  
22 materials from the Abandoned Waste Program, from Public  
23 Works. Essentially, other materials that are collected  
24 outside of our regular collection.

25 Q. So looking at the total tonnage, there appears

1 to be a slow but steady growth from year to year with an  
2 overall increase of about 6% over the five-year period.  
3 In that same period, compostables, which we also call  
4 the "green bin," have grown by about 7% while  
5 recyclables, the "blue bin," has actually declined a  
6 little bit since 2013. And each of these streams  
7 represents about 20% of inbound tonnage.

8           So in Rate Year 2018, waste or the material in  
9 the black bin represents about 32% of the total inbound  
10 tonnage. And based on waste characterization studies,  
11 Recology's determined that a significant portion of  
12 these materials currently being discarded is either  
13 recyclable or compostable, as you mentioned earlier.

14           Can you give me an estimate about how much of  
15 that you think is recoverable?

16           A.     Yes. Of the trash, we believe that  
17 approximately 50% of it, first of all, there's  
18 no possible useful purpose of it at this point.  
19 And then the remaining 50%, it roughly breaks  
20 down to 30% compostable, 10% plastic, and another  
21 15-20% recyclables.

22           Q.     Okay. About 30% organics, 10% recyclables,  
23 10% percent film plastic?

24           A.     Yes.

25           Q.     Okay. So trash waste represents about

1 850 tons per day. I notice it's a six-day work week;  
2 is that about correct?

3 A. So that's just the black material.

4 Q. Right.

5 A. That's not all the trash that goes through the  
6 transfer station.

7 Q. So you mentioned earlier Recology's running a  
8 test program to process black bin materials, and that  
9 the OREX press is able to recover right now about 10%  
10 of the processed material which kind of creates a paste  
11 that you are sending to East Bay MUD.

12 A. Yes. We've had a fair amount of experience  
13 with that equipment already. That's been proven now to  
14 be the case.

15 Q. So the rate application extends the PUC's  
16 program that you are currently doing to process about  
17 100 tons per day through this OREX press?

18 A. That's correct.

19 Q. And then the remaining portion, like you were  
20 mentioning the "overs" earlier, would be -- some portion  
21 of it would be sent to Recycle Central where you had  
22 estimated about 15 tons of those materials might be able  
23 to recovered?

24 A. Correct.

25 Q. So in total you're proposing to process about

1 10% of the total waste stream?

2 A. Yes.

3 Q. And achieve 25% diversion?

4 A. Yes.

5 Q. So I'm jumping ahead a little bit because this  
6 may be more appropriate for Mr. Maurice Quillen as it  
7 relates to Contingent Schedule II, but I know we're  
8 going to be talking about that later and there's the  
9 assumption that it's going to handle a certain amount of  
10 tonnage. And right now I have -- according to your  
11 application -- that it's about 1,100 tons a day.

12 So am I correct that this new trash processing  
13 facility is capable of handling -- trying to process all  
14 of the inbound trash?

15 A. Yes.

16 Q. And it would capture about 25% of the waste  
17 stream as recoverable material?

18 A. Yes. It's -- it's not anticipated to follow  
19 the same exact process as the pilot program that's  
20 within the schedule, so we don't anticipate scaling the  
21 operation to produce the paste with this contingent  
22 schedule. We do anticipate generating a large volume  
23 or a similarly large volume of organic material, more of  
24 a fraction that doesn't get compressed under high  
25 pressure. But the final processing of that material has

1 not yet been determined. We would have to go through  
2 again.

3 Q. And so when we look at that, how close does  
4 that fit San Francisco to our goal of zero waste?

5 A. Well again, if there is a suitable solution  
6 for that organic material. It still is anticipated to  
7 recover more than 50% of the material. Meghan Butler  
8 will be speaking to that. She has the details on the  
9 waste characterization of that trash and she'll fill you  
10 in on more of the detail in terms of what the  
11 constituents and products of that waste are.

12 MS. DAWSON: Great. I reserve the right that  
13 I may ask you additional questions later on. But for  
14 now, that's the all the questions I have.

15 THE WITNESS: Thank you.

16 (Mr. Arsenault steps down from the  
17 witness stand.)

18 DIRECTOR NURU: Did you want to bring up  
19 another?

20 MR. BAKER: Yes. Maurice Quillen, please.

21 (Mr. Quillen steps up to the witness stand.)

22 MR. BAKER: Before Mr. Quillen begins his  
23 testimony, I mentioned the landfill agreement and  
24 the 2013 Director's report. And we have them here, so  
25 why don't we go ahead and for housekeeping purposes get

1 these into the record.

2 MAURICE QUILLEN,  
3 having first been duly sworn, was  
4 examined and testified as follows:

5 MR. BAKER: We marked four exhibits, so I'll  
6 just say what they are for the record.

7 Exhibit 13 is the Landfill Disposal Agreement  
8 between the City and County of San Francisco and  
9 Recology San Francisco. It is a 34-page agreement  
10 with -- looks like four attachments.

11 Exhibit 14 is the first amendment to that  
12 landfill agreement, which is dated may one, 2016. It is  
13 three pages long.

14 15 is the Director's Report and Recommended  
15 Orders for the 2013 rate application from Recology  
16 San Francisco and Recology of Sunset Scavenger and  
17 Recology Golden Gate dated June 7, 2013. 40 pages long.

18 And finally, Exhibit 16 is the order of the  
19 Rate Board, the Refuse Collection and Disposal Rate  
20 Board, dated July 23rd, 2013, which is seven pages long  
21 and has one page attached at the end.

22 So we would ask that those four exhibits be  
23 admitted into evidence.

24 MR. PRADHAN: Exhibits 13 through 16 have been  
25 moved into evidence.

1 (Exhibit 13, "Landfill Disposal Agreement  
2 [Recology]," was admitted into evidence.)  
3 (Exhibit 14, "Landfill Disposal Agreement  
4 First Amendment [Recology]," was admitted  
5 into evidence.)

6 (Exhibit 15, "Director's Report and  
7 Recommended Orders, 2013 Rate Application  
8 [Recology]," was admitted into evidence.)

9 (Exhibit 16, "C&CSF Refuse Collection &  
10 Disposal Rate Board 2013 Resolution and Order  
11 [Recology]," was admitted into evidence.)

12 MR. BAKER: Thank you.

13 DIRECT EXAMINATION

14 BY MR. BAKER:

15 Q. Mr. Quillen, could you please state your full  
16 name.

17 A. My name is Maurice Quillen.

18 Q. What's your job at Recology?

19 A. I'm the General Manager of Recology  
20 San Francisco.

21 Q. How long have you had this job?

22 A. Approximately two-and-a-half years.

23 Q. What did you do for Recology before that?

24 A. I managed the collection company Golden Gate  
25 Disposal and, for a short time, the combined operation

1 of Golden Gate Disposal and Sunset.

2 Q. When did you start work for the Company?

3 A. Started with Recology -- it was Cal Waste  
4 Systems back in 1992.

5 Q. And how long were you General Manager for one  
6 or more of the collection companies?

7 A. I've been the General Manager for Recology for  
8 almost 18 years in some fashion.

9 Q. Now, let's focus on your current job,  
10 Recology San Francisco General Manager, and the upgrades  
11 to Pier 96. We've heard a little bit about that from  
12 Ms. Arsenault. When was that work completed and when  
13 did the new equipment start operating?

14 A. The work for the modifications of the Recycle  
15 Central facility was completed in September 2016. The  
16 facility became fully operational in October 2016.

17 Q. So as we've heard, most of the cost of that  
18 project was covered by Tier 3/Tier 4 Zero Waste Fund;  
19 is that right?

20 A. Correct.

21 Q. And this application seeks approval for the  
22 final truncheon of money required to pay for that  
23 facility completely; correct?

24 A. Yes, it does.

25 Q. So I don't want to go into a lot of detail on

1 this because it's in the application, but tell us why  
2 Recology wanted to and needed to upgrade Pier 96.

3 A. The recycling facility on Pier 96 was issued  
4 in operation in 2002. At that time it represented  
5 state-of-the-art technology for singling the curbside  
6 processing material. And over the years, technology  
7 innovation has changed quite a bit of the industry.  
8 The facility was initially designed to operate above the  
9 30- to 35-ton-per-hour range, and that facility served  
10 us well for many years.

11 As time progressed and the tonnage -- curbside  
12 program increased, the facility became quite old and it  
13 started to seek useful life. The decision was made to  
14 pursue an option to rebuild or retrofit or replace the  
15 facility. After exploring all the options, we  
16 determined that it would be best to rely on some of the  
17 existing processing equipment but place a new front-end  
18 system on the old set of equipment in order to increase  
19 the throughput of the facility and allows us to process  
20 more material and keep up with the technology that's  
21 present in the industry today.

22 Q. To what extent has the new equipment allowed  
23 you to increase the throughput?

24 A. The new facility is designed for  
25 45-ton-per-hour throughput. And in addition to higher

1 throughput, it also has a substantially better diversion  
2 rate. The technology that was present in the first  
3 iteration sorted down to about a two-inch size piece.  
4 The new technology is actually fairly robust, and  
5 through the use of optical systems and pneumatics,  
6 we can sort tiny little bits of paper including shredded  
7 paper.

8 Q. Are there materials that you can now capture  
9 in the system that you could not capture before?

10 A. Yes. The old system relied on fairly small  
11 presort. We had four sorting stations and a number of  
12 commodities we could sort. The new system allows for a  
13 14-person, 7-position re-sort, and we have the ability  
14 to manually sort significantly more materials.  
15 Specifically we can recover textiles, film plastic,  
16 and aseptic packaging.

17 Q. "Aseptic" being A-S-E-P-T-I-C?

18 A. Correct.

19 Q. What is aseptic packaging?

20 A. Aseptic packaging are the Gable tops or  
21 laminated food containers, milk containers, some of the  
22 fruit juices, buy-in-the-box products, things of that  
23 nature.

24 Q. That means that customers in San Francisco are  
25 going to be able to put these sorts of materials in the

1 food bins now, which they were technically supposed to  
2 do before?

3 A. Yes.

4 Q. And is that happening right away? Or is there  
5 going to be some sort of education system first to get  
6 it underway?

7 A. We need to educate the customers so that they  
8 understand what products are going to be acceptable in  
9 the curbside bins. The intention would be to perform  
10 that education along with the rollout of the new  
11 recycling program -- or the new cart program, actually.

12 Q. So is this film plastic, plastic bags, one of  
13 the commodities that you're now going to be able to  
14 capture?

15 A. Yes.

16 Q. Now, that's one of the big problems with  
17 black bin/blue bin material -- has been, is the  
18 prevalence of plastic bags; correct?

19 A. Yes.

20 Q. And the City actually has an ordinance to try  
21 to address that issue, but you can't get rid of all them  
22 altogether. Tell us a little bit about that, just for  
23 educational purposes -- a clean plastic bag versus a  
24 soiled plastic bag, and what you're going to try to do  
25 in order to maximize the recyclability, if that's a

1 word, on that kind of material.

2 A. Recology has the ability to market mixed  
3 MRF filling, provided it's clean. And the biggest  
4 challenge presented to us in any waste environment is  
5 sourcing clean film plastic; so we would like to request  
6 that the program participants take the clean film and  
7 place it into a plastic bag. The plastic bag would then  
8 go into the blue bin. From there, it would come into  
9 our facility and go across the sorting table and we'd  
10 provide a pneumatic system to allow sorters to manually  
11 sort clean film plastic into a recovery system which  
12 would then allow us to segregate that material for  
13 baling.

14 MR. BAKER: Can I get the computer up, please.

15 BY MR. BAKER:

16 Q. What's this a picture of?

17 A. This is a picture of the sorting table  
18 in front of the MRF. You have the sorting belt, as we  
19 call it, or the deck. The unsorted curbside material  
20 goes across. The sorters are sitting on either side of  
21 the belt. They have the ability to essentially sort  
22 three commodities per person.

23 To the left, they have the ability to put  
24 material into the chute which would then go into a  
25 hopper and be sent to the market. At the center of the

1 sorting table are these green tubes; they represent the  
2 plastic recycling system. The sorters simply have to  
3 put the plastic bag up to the system to be packaged away  
4 in the holding hopper for baling.

5 And to the right is another hopper that they  
6 can put additional material into.

7 Q. Textile is another type of material that  
8 you're now able to recover; is that right?

9 A. There are markets for textiles. But in a  
10 similar fashion to the MRF film plastic, they need to be  
11 dry and clean.

12 Q. And is this going to be part of the customer's  
13 education system as part of this rollout?

14 A. It was our intention to be able to recover  
15 textiles as part of this new program, and we provided  
16 for multiple sorting locations on the line for the  
17 sorters to pull textiles from for recycling.

18 Q. And how many -- you said there were four sort  
19 locations with the prior equipment?

20 A. Yes, correct.

21 Q. And you say now there's seven stations,  
22 fourteen locations?

23 A. Correct.

24 Q. So it's kind of obvious, but why don't you  
25 explain a little bit the advantages of having more

1 sorter stations.

2 A. Well, in the initial system, the original  
3 design in 2000 was really designed for a different type  
4 of waste stream. Recyclables had quite a bit of waste  
5 stream; so the four-sort prestatation was acceptable.  
6 They focused on pulling out moldy trash and things that  
7 would damage the equipment. And as time progressed,  
8 the sorters started to focus or began to focus on  
9 pulling out cardboard because the cardboard was quite  
10 problematic for the system.

11 The new sorter obviously gives us much more  
12 flexibility. With the seven positions, every sorter has  
13 the ability to sort a few commodities. So generally,  
14 all of these units on the sort line can sort trash.  
15 They can also sort the mixed MRF film. They'll also  
16 have the ability to recover textiles, wood, metal, and  
17 large rigid plastic items.

18 Q. Again, items that were not officially  
19 recyclable before?

20 A. Correct.

21 Q. And Mr. Arsenault mentioned about the  
22 increasing prevalence of cardboard. What is it about  
23 the new equipment that improves the handling of the  
24 cardboard?

25 A. The MRF rebuild contemplated the waste stream

1 and we installed a cardboard screen, which we call an  
2 OCC screen. It's a purpose-built piece of equipment  
3 designed to extract cardboard from the single-screen mix  
4 prior to it running with the rest of it, eliminating the  
5 requirement of the presorters to identify and sort  
6 cardboard.

7 Q. And you also mentioned the ability to capture  
8 and sort paper -- fiber material on a more efficient  
9 basis in smaller pieces. Describe what equipment you  
10 have that facilitates that work.

11 A. We have a series of optical sorters and  
12 pneumatic sorters that essentially mechanically sort the  
13 material through optical recognition or, in the case of  
14 small bits of paper, a vacuum that literally sucks the  
15 bits of paper off the sorting belt.

16 Q. Have you -- has any equipment been in  
17 operation long enough for you to see any improvement in  
18 the percentage of material recovered?

19 A. Yes, it has.

20 Q. And what have you found?

21 A. We initially put this proposal together,  
22 submitted it to the Department of Public Works. On it,  
23 we knew that the new equipment would be able to stick  
24 with the diversion rates and we estimated that we would  
25 see somewhere between 5% to 7% additional recovery.

1 Since we've been operating the system, we've exceeded  
2 that number and we're seeing recovery in upwards of 10%  
3 additional recovery.

4 Q. And what was it before and what is it now?

5 A. We were trying to get about 83.1% diversion  
6 rate on average. And since the installation of the  
7 equipment, we're at about 91%.

8 MR. BAKER: Congratulations.

9 That's all the questions that I have of  
10 Mr. Quillen. I would like to put into evidence a few  
11 photos that we have of the new equipment.

12 I'll just -- once it's marked, I'll have them  
13 identify what the photos are for the record, and then  
14 I'll have no further questions.

15 So we've marked four photos of Pier 96,  
16 new equipment, as Exhibit 17.

17 I request that they be admitted into evidence.

18 MR. PRADHAN: Admitted.

19 (Exhibit 17, "Four photographs [Recology],"  
20 was admitted into evidence.)

21 BY MR. BAKER:

22 Q. So Mr. Quillen, just for identification,  
23 what's the first photo?

24 A. The first photo is a piece of equipment that's  
25 referred to as the drum feeder. It's the modern way of

1 loading a new MRF. Essentially, it's a large hopper the  
2 loader fills full of material. And then there's a  
3 spinning drum with knobs on it that opens up the bags  
4 and crushes the material, making it easier for the  
5 sorters to sort and also gives us a very even burden  
6 path on the sorting deck, which maximizes our  
7 efficiency.

8 Q. The second picture is one that we looked at  
9 earlier, and you've already described that as showing  
10 the presort line with the several sorting stations,  
11 hoppers, et cetera; correct?

12 A. Correct.

13 Q. And then the third photo is a -- is what?

14 A. Third photo is one of the pneumatic drops for  
15 the film plastic conveyance.

16 Q. So in other words, if you put any material  
17 under that tube, it's vacuumed up; correct?

18 A. Correct.

19 Q. And it's intended for film plastic?

20 A. Yes.

21 Q. And then the last photo.

22 A. The last photo represents another view of the  
23 presort installation. It's the sorting table to the  
24 upper-right cardboard screen. To the lower right, the  
25 tubes overhead represent the pneumatic mix of plastic.

1 And on the left-hand side of the photo is one of our  
2 fiber screens. Useful equipment. It's designed to  
3 separate the cans and bottles, glass, from the paper.

4 Q. Actually, I did want to ask you one other  
5 thing -- a couple of things I forgot.

6 First of all, the prior equipment -- that is,  
7 the sorting equipment that existed before this new  
8 equipment was put into operation -- is the prior  
9 equipment still being used?

10 A. The prior equipment is still in place.  
11 We're maintaining the equipment as a backup. At this  
12 point we only rely on the old equipment when the new  
13 equipment is down or being repaired.

14 Q. And Mr. Arsenault described that as part of  
15 this application, there is a request to use funds  
16 anticipated to be remaining from the Tier 3 and Tier 4  
17 zero waste, approximately \$1.21 million, for some  
18 additional improvements at Pier 96.

19 I don't know, do you have the exhibits up  
20 there? Did Mr. Arsenault take them?

21 A. I do not have the exhibits.

22 Q. Here. This is Exhibit 7. Mr. Pilpel provided  
23 his copy, so he won't be able to ask you questions.

24 What is -- is Exhibit 7 Recology's proposal  
25 for the use of the remaining \$1.1 million?

1 A. Yes, it is.

2 Q. And describe for us briefly what the need is  
3 for the application of those funds and how they will  
4 relate to the existing equipment improvements.

5 A. Yes. So this proposal basically asks for four  
6 additional pieces of equipment. It's probably best to  
7 take them in order.

8 The first piece of equipment is the drum  
9 feeder. And while the old lines are still operational,  
10 we do rely on them as a backup. We have determined that  
11 one of the lines that we currently maintain as a backup  
12 is robust enough to actually serve as a primary backup  
13 facility in the event of a failure. Given the new waste  
14 stream we're proposing in the facility and our success  
15 with the drum feeder, we were thinking that we could  
16 retrofit the old hopper-style loading system associated  
17 with that line to a new, more modern drum feeder-style  
18 sorting system. So the first item, the drum feeder,  
19 contemplates installing a drum feeder onto what we call  
20 our "B-line" conveyor system.

21 Q. So basically that would allow the backup  
22 system to work for more efficiently?

23 A. Correct.

24 Q. And what about a "cross belt magnet"?  
25 What's that needed for?

1           A.       So the cross belt magnet is an additional  
2 piece of equipment that we do need to add to this  
3 installation. Cross belt magnets are essentially an  
4 electromagnet that sits across the sorting belt.  
5 The new system utilizes what we call "head pulley  
6 magnets," which is a magnet embedded in the pulley,  
7 and we use those magnets to extract metal and other  
8 items from the recyclables. They've proven to be very  
9 effective in some situations, but we're starting  
10 to learn that given the throughput of this facility,  
11 the head pulley magnet is not doing a very good job  
12 pulling some materials out of the glass and the paper.  
13 And the items that we're specifically having issues with  
14 now are C and D-size lead acid alkaline batteries. They  
15 tend to be a little heavier than what the magnet will be  
16 able to recover; so we are having some issues with those  
17 materials ending up in our finished products.

18                   The cross belt magnet will be a much more  
19 robust magnet we would install to the system on a  
20 retrofit basis that would function as a backup to the  
21 pulley-driven magnets and get the larger batteries out  
22 of the material.

23           Q.       And then what about the next item on  
24 Exhibit 7, "Container Silo Bypass System"?

25           A.       One of the interesting things about our

1 recycling facility -- the design of our recycling  
2 facility is the ability to operate various components of  
3 the system independently of each other. Generally in  
4 MRF, a piece of equipment is down, the whole MRF has to  
5 the stop operating. And part of our nine expectations  
6 for the facility was if something breaks, we wanted to  
7 be able to operate the MRF on a limited basis to process  
8 the tonnage.

9 And one of the things that was determined that  
10 was being omitted from this was the ability for us to  
11 bypass containers from the sorting belt into the silos  
12 in the event that there was a problem with the  
13 containers or in the system. So this proposes the  
14 installation of being able to bypass mechanisms to allow  
15 us a little bit of flexibility in the event that we have  
16 an equipment malfunction.

17 Q. So again, that would give you more operating  
18 time and less downtime?

19 A. It will give us -- it will take time to  
20 generally what would be considered downtime and make it  
21 "slightly less-productive operating time," effectively  
22 allowing us to still maintain adequate throughput  
23 numbers in the MRF.

24 Q. And then the last item here is the "Master  
25 Control System Upgrade."

1           A.       Yeah.  The Master Control System Upgrade,  
2   I think, is the most important part of the proposal.  
3   All the recycling equipment is essentially a series of  
4   electric motors that run off the Local Area Network,  
5   similar to computers, and they have drives associated  
6   with the motors.  The drives work through a computer  
7   system and they let the system start and stop in a  
8   predetermined fashion.

9                   Well, the new system and the old system  
10  obviously are very similar, but very different  
11  generations of what we call the "PLC," or control  
12  system.  And they don't talk to each other very well,  
13  so what we have is the old system and the new system  
14  working off of what we call an "electronic handshake."  
15  Essentially the old system starts up and notifies the  
16  new system that everything's running and functional, and  
17  then the new system comes online.

18                   And we determined that the time it takes  
19  for the new system and the old system to perform this  
20  handshake can be several minutes in some cases, such  
21  as if there's a fault.  So we would like to replace the  
22  control system on the old system so that we would not  
23  longer have to function off of a handshake, but instead  
24  be able to bring the whole online at one time with one  
25  computer control system.



1 of that sort.

2 Q. So if we kind of look at it, what would you  
3 consider to be kind of the total average daily  
4 processing tons -- tons per day that you manage given  
5 all those potential limitations?

6 A. Right now, we process about 450 tons a day.

7 Q. And so how does that number compare to the  
8 number of tons being delivered to Recycle Central right  
9 now?

10 A. With the new equipment, we have the ability to  
11 process all the tons that are delivered on a daily  
12 basis, unless we have mechanical operation issues.

13 Q. Do you know how many tons you're currently  
14 accepting per day on average?

15 A. It's currently about 450 to 500 tons a day  
16 peak.

17 Q. Meaning that varies?

18 Seasonality, that sort of thing?

19 A. Seasonality. The weather has a lot to do with  
20 it. It tends to be a bit heavier when it rains.

21 Q. So given what you just told me would suggest  
22 that you don't have a lot of additional capacity in the  
23 facility. Is that the case?

24 A. We have additional capacity with this  
25 equipment. It's 45-ton-an-hour equipment and we're

1 running it lower than its capacity. So we do have the  
2 ability to accept more tons in the facility.

3 Q. Okay, so it sounds like I might have asked  
4 that question differently. It may be a little  
5 difficult.

6 So if you were running this facility at its  
7 full capacity, how much additional tonnage could you  
8 process?

9 A. In excess of 75 to a 100 tons a day.  
10 Probability closer to 75.

11 We also have the ability to operate the  
12 equipment beyond the eight hours per day per shift.  
13 With the old system, we were running a little bit  
14 overtime, weekends, whatever we could to catch up.  
15 We needed to perform in order to get on track.

16 Q. Okay. So if we considered what the maximum  
17 would be in terms of both hours that you think would be  
18 reasonable in the facility and the capacity of the  
19 equipment, what's the total capacity that you think you  
20 have given the investments you've made at that location?

21 A. We actually got that number. That number is  
22 in our total. I'll refer to the rate application.

23 MR. BAKER: Maurice, make sure you speak into  
24 the mic.

25 THE WITNESS: I'll refer to the rate

1 application. Assuming 45 tons per hour throughput with  
2 a 14-hour operational day, just 7 tons. At 260 days per  
3 year, that 163,800 tons per year.

4 BY MS. DAWSON:

5 Q. And you're currently -- so that difference  
6 between what you're currently processing and what you  
7 could do at its maximum is --

8 A. The difference right now, we're doing about 39  
9 to 40 tons an our; so we're about a 150,000 -- or 143-  
10 to 150,000 tons a year. So on an annual basis, nearly  
11 90,000 tons of additional capacity.

12 Excuse me, 50,000 tons additional capacity.

13 MS. DAWSON: That's all the questions I have  
14 for right now.

15 MR. BAKER: We recognize that the ratepayer  
16 advocate wants to reserve questions. But to move things  
17 along, we understand that Ms. Dawson and Mr. Haley and  
18 Mr. Jones reserve the right to ask questions later.

19 MS. DAWSON: Thank you.

20 DIRECTOR NURU: So time-wise, we can bring  
21 another witness up.

22 MR. BAKER: We can start the next witness.

23 I don't think we'll finish, but we might as  
24 well get 15 minutes done, if you'd like.

25 DIRECTOR NURU: That would work, I think, for

1 us.

2 A show of hands, how many people want to make  
3 a comment?

4 Okay. Let's bring up the next witness then.

5 MR. BAKER: So Dan Negron is the next witness.

6 And Carolyn Pearce will exam him.

7 (Mr. Quillen steps down from the witness  
8 stand.)

9 DAN NEGRON,  
10 having first been duly sworn, was  
11 examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. PEARCE:

14 Q. Good morning, Mr. Negron.

15 A. Good morning.

16 Q. Could you please state your position with  
17 Recology company.

18 A. General Manager for Recology Sunset Scavenger.

19 Q. And if you could just briefly describe what  
20 the Sunset Scavenger company is and its relationship  
21 with the rest of the San Francisco companies.

22 A. Our sister company, our collection company  
23 Recology Golden Gate mainly services the downtown area  
24 and Marina. Sunset Scavenger has the remaining parts of  
25 the city and some neighbors.

1 Q. It's a collection company?

2 A. Yes.

3 Q. And how long have you been with Recology?

4 A. Sixteen years.

5 Q. How long have you been in the role as General  
6 Manager of Sunset Scavenger?

7 A. Approximately two-and-a-half years.

8 Q. I understand as a part of Recology's 2017 rate  
9 application, it is proposing some changes to the way  
10 that collection companies conduct its residential  
11 collections. Could you please briefly describe those  
12 changes for me, if you could.

13 A. Yes. The system that exists today, as Mark  
14 alluded to earlier, the fantastic three-bin system that  
15 was rolled out in 2000. We're now proposing a new  
16 default system as far as the black, blue and green bin  
17 system as well as it, and that's more to capture what  
18 Maurice was talking about with all the upgrades that  
19 they've done at Recycle Central. We want the  
20 opportunity for our customers to start bringing in those  
21 materials in the blue bin and also encourage less  
22 disposal, less use of the trash black bin.

23 Q. Let me just interrupt one second.

24 When you say "new default system," what do you  
25 mean exactly by "default system"?

1           A.       I'm sorry. For the bin sizes, we're going to  
2 be looking at increasing the blue containers to  
3 64 gallons at the curbside along with introducing the  
4 16 gallon reduced black bin.

5           Q.       Okay. Continue.

6           A.       In addition to that, in order to accept the  
7 more recyclables, the 64 gallon toter, we're going to be  
8 proposing repurposing our vehicles that the  
9 single-stream or single-chamber vehicles will now  
10 service the blue containers. And as a result of that,  
11 we're going to propose some rerouting of all of our  
12 three system collection vehicles.

13          Q.       And can you just explain how that's changed  
14 from the current system.

15          A.       So right the now collection vehicles are  
16 displayed by the chambers collecting the black and the  
17 blue bin. They've been doing that for 16-plus years.  
18 The single-chamber collection vehicles are picking up  
19 the organic materials.

20                   And what we're proposing now is to move the  
21 blue bin to the single-chamber, for reasons I'll explain  
22 shortly, along with adding -- moving the organics  
23 materials with the split-body split chamber vehicle  
24 along with the black chamber.

25          Q.       Let's start by discussing the bin changes

1 and sizes you mentioned and changes to some of the  
2 recyclables that will be accepted now at Recycle  
3 Central. What is the standard default service that's  
4 currently offered for single-family homes right now?

5 A. So the standard default service 32 green,  
6 32 black, and 32 blue.

7 Q. Is this also the most commonly chosen size for  
8 residential customers?

9 A. Yes, it is the most common.

10 Q. Larger and smaller containers, though, are  
11 available if they'd like to those chose those?

12 A. Yes, absolutely. Those customers can go up to  
13 64 gallons if they choose.

14 Q. And what's the new proposed default level of  
15 service for single-family homes?

16 A. So we're look at a 16 gallon trash,  
17 a 64 gallon blue -- trash is black -- 64 gallon blue,  
18 and a 32 gallon green.

19 Q. And why is it that Recology wants to offer or  
20 encourage a larger blue bin at the default level of  
21 service?

22 A. It was talked about earlier in Mark's  
23 presentation. It's been a real challenge dealing with  
24 the cardboard, as far as the residential and just  
25 general in the city. They're bulky items. The bulky

1 cardboard has become a challenge not only with the  
2 32 gallon bins, but also with our collection vehicles.  
3 We're also -- to Maurice's point he's offered -- the  
4 opportunity to process more materials at Recycle Central  
5 at Pier 96. So adding those new materials including  
6 film plastic, bags, textiles, small pieces of metal,  
7 unpainted wood, those are things that we are proposing  
8 to move into the single-chamber collection vehicles.

9 Q. Mr. Quillen mentioned some of these earlier,  
10 but I wondered if you could just describe what are some  
11 of the new materials that are going to be accepted in  
12 the new bins?

13 A. We're looking at aseptic -- to Maurice's point  
14 earlier -- Gable top, cartons, bags, textiles, bag from  
15 plastics, and small pieces of metal, unpainted wood.

16 Q. How was it that Recology determined that a  
17 smaller black bin as a default and a larger blue bin  
18 would encourage more diversion from the landfill and be  
19 an idea that it wanted to propose?

20 A. So we partnered with SF Environment and we did  
21 some pilot programs, specifically three test programs  
22 along with a control group, to really measure what was  
23 out there, what type of behaviors we need to move to  
24 folks to get them to do more recycling and more  
25 diversion.

1 MS. PEARCE: I'm going to interrupt you for  
2 one minute.

3 I'm going to mark as an exhibit a 12-page  
4 document titled "Zero Waste Collection Test Summary  
5 Results."

6 Correct me if I'm wrong, I believe this is  
7 Exhibit 18.

8 MR. PRADHAN: Yes.

9 MS. PEARCE: And like I said, this is a  
10 12-page exhibit entitled "Zero Waste Collection Test  
11 Summary Results," and we move the admission of this  
12 exhibit.

13 MR. PRADHAN: Admitted.

14 (Exhibit 18, "Zero Waste Collection Test  
15 Summary Results [Recology]," was admitted into  
16 evidence.)

17 BY MS. PEARCE:

18 Q. Mr. Negron, are you familiar with this  
19 document?

20 A. Yes.

21 Q. And tell us a little bit about what this is.

22 A. So again, we were working closely with  
23 SF Environment, and really, we brought in the Department  
24 of Public Health as well as SF Public Works. We had  
25 proposed and we ran three test pilots along with a

1 control group. We measured driving behavior towards  
2 diversion.

3 Q. And this document describes the tests that you  
4 conducted and the results from the tests; is that right?

5 A. Yes.

6 Q. And let's talk a little bit about the three  
7 tests that you mentioned. What are those three tests  
8 that you performed?

9 A. Initially, also with the one that has the  
10 less-desirable results, if you're okay with that,  
11 the control group was strictly just outreach -- constant  
12 outreach to a set number of customers in different  
13 neighborhoods to see if we can get them to just utilize  
14 the system that is in place today -- 32 black, 32 blue,  
15 32 green. And it resulted in a phenomenal 2% increase  
16 in diversion.

17 Q. By "outreach," what do you mean by "outreach"?

18 A. An extensive amount of outreach. If you look  
19 at the summary, we worked closely with SFE as far as  
20 statement hangers. We sent outreach letters, we held  
21 community meetings, we provided goodie bags -- just to  
22 get the folks and encourage them to utilize the new  
23 system.

24 Q. So that was the control group.

25 Tell us about the three tests.

1           A.       And then we went into what they call the "pay  
2 per setout." Because customers elect not to place their  
3 trash outside at least once, twice, sometimes three  
4 times a month, they also receive a weekly service for  
5 the blue and the green bin. However, that also reduced  
6 a phenomenal 2% increase in diversion. Again, with a  
7 heavy emphasis on outreach.

8           Q.       That's called the "pay per setout" test?

9           A.       Yes.

10          Q.       Okay. And what was another test that you did?

11          A.       The third test was what we call the "every  
12 other week collection," so biweekly service. And again,  
13 we continued to provide weekly service for the greens  
14 and the blues to encourage their usage. That was about  
15 400 participants and that reduced about 11% diversion.

16          Q.       All right. What was the final test?

17          A.       The final test was the 10 gallon trash bin.  
18 We also identified about 400 customers in ten different  
19 parts of city neighborhoods. And they just basically  
20 had a smaller bin, although they still maintained their  
21 32 black -- excuse me, 32 blue and 32 green bin. And  
22 that reduced not only a 14% diversion, but we're happy  
23 to see the compost bins are starting to come out on the  
24 curb.

25                   So it's one thing when the customers have the

1 bin; it's another thing when they actually take the time  
2 to put it out on the curb and get service.

3 Q. I just want to make it clear on the record.

4 You're referencing the result of those three  
5 tests and the control group on page 6 that shows the  
6 increase in diversion percentage by test; is that right?

7 A. Yes.

8 Q. Did you share the results of these tests with  
9 the City?

10 A. Yes. Well, we partnered with them from the  
11 beginning and did present the final results to  
12 SF Environment to really strategize the next steps in  
13 the process.

14 Q. And based on these results, how did you and  
15 the City decide on using -- proposing 16 gallon bins  
16 versus the 10 gallon bin, which I believe was used in  
17 the test?

18 A. Yes, the 16 gallon was brought for a couple  
19 reasons. Number one, we enjoyed the behavior and it  
20 definitely made a difference as far as diversion, and  
21 that was first and foremost. Operationally, as far as  
22 our drivers differ, ergonomically it was a big challenge  
23 because it's such a little container. Having it go up  
24 and down, up and down 300 to 400 times day was a  
25 challenge.

1           Also, it did hurt our equipment. They had to  
2 lift onto the lifter. And so if we were to adopt the  
3 10 gallon system, we would have to add a cost. We'd  
4 have to retrofit the entire fleet, and it would be a  
5 challenge trying to retrofit that and also support these  
6 new bins in the inventory that's already sized 32/64/96.

7           Q.     I'd like to discuss what the new bin sizes  
8 you're proposing will look like compared to the old  
9 size. So I'm going to try to show some pictures on  
10 here.

11           Is this what the current -- the 32/32/32 blue,  
12 green, and black looks like it's set out on the curb for  
13 collection?

14           A.     Yes.

15           Q.     And the next --

16           MR. PRADHAN: Are these photos part of an  
17 exhibit?

18           MS. PEARCE: I will -- I'll introduce them.  
19 Maybe I'll do that right now.

20           I'd like to mark Exhibit 19 and Exhibit 20,  
21 which will be pictures of the old setout and the new  
22 setout.

23 BY MS. PEARCE:

24           Q.     Let me just ask you about the next photo I'm  
25 going to show.

1           Is that a picture of the new proposed default  
2 setout of the 64 gallon blue bin, 32 gallon green bin,  
3 and the 16 gallon black bin?

4           A.     Yes.

5           MS. PEARCE: Move for the admission of  
6 Exhibits 19 and 20.

7           MR. PRADHAN: Admitted.

8           (Exhibit 19, "Photograph, old setout  
9 [Recology]," was admitted into evidence.)

10          (Exhibit 20, "Photograph, new setout  
11 [Recology]," was admitted into evidence.)

12 BY MS. PEARCE:

13          Q.     All right. I'm actually going to put up just  
14 a comparison, side-by-side.

15                I'm sure you're aware that in San Francisco  
16 many of your customers are concerned about the space  
17 constraints and accessibility; so I'd like you to  
18 discuss how the footprint of these new default bins will  
19 be different from the old default.

20          A.     So -- and I took the photo just as a reference  
21 to the yellow lines, the parking lines. But basically  
22 the 16 gallon trash bin is identical as far as the size  
23 of the 32. And then the 64 gallon, it only grows  
24 approximately 14 inches wide and a little bit taller.  
25 But these --

1 Q. 14 inches?

2 A. Did I say fourteen? No, I mean four inches.

3 And so the 64 gallon, as you notice -- and  
4 these are designed specifically for San Francisco. The  
5 manufacturer, because of the narrow entryways and the  
6 downhills that we have to service, it fits nicely here  
7 in our service area.

8 Q. The 64 gallon blue, will that still fit  
9 between gates and doorways?

10 A. Absolutely.

11 Q. What if a customer is not -- doesn't have the  
12 space for a larger blue bin? Will a customer have the  
13 option to choose a different size if they'd like?

14 A. Absolutely. If the 64 gallon blue does become  
15 a problem as far as space, we'll be glad to return it  
16 back to a 32 gallon blue.

17 Q. If a customer does go from the default --  
18 the current default service which is the 32/32/32 and  
19 chooses the 16 gallon black along with the 64 gallon  
20 blue and the 32 gallon green, how will their volumetric  
21 service change from the prior service?

22 A. So they're actually gaining 16 gallons in  
23 volume. Although the trash is reduced by half of 32 to  
24 16, the blue containers are going to double in size  
25 volumetrically from 32 to 64, and then that effect is a

1 16-gallon increase in volume.

2 Q. Is it over all service?

3 A. Yes.

4 Q. You mentioned that this default change or  
5 proposed change is to the default service for  
6 single-family homes. What about multi-family homes,  
7 apartments, commercial customers? Are there any  
8 operational changes that Recology's proposing for those  
9 customers?

10 A. Commercial changes we're not going to propose.  
11 However, we are going to do an extensive outreach for  
12 all three of those types of service. Paul Cesewski  
13 who's in the back there will be handling all of the  
14 outreach as far as reaching out to all of our customers.

15 Q. We'll hear from Mr. Cesewski next week.

16 Recology is also proposing -- and you  
17 mentioned this earlier -- in its application some  
18 changes to the way the vehicles -- the materials that  
19 the vehicles collect. You said that, I think, the  
20 split-chamber vehicles certainly collect the black and  
21 the green bin together and -- I'm sorry, the black and  
22 blue materials together, and the green bin is collected  
23 separately in a single-chamber vehicle. Has this  
24 approach posed any challenges for Recology?

25 A. It's become a big problem. We talked about it

1 in the past as far as the type of materials that we're  
2 collecting today versus 16 years ago. So the nature of  
3 the recyclables -- and one is them is Amazon.com -- has  
4 just become a big challenge. And the big screen TVs,  
5 there are no more small TVs. Everybody buys a minimum  
6 60-inch or better and it always end up at the curb  
7 wherever you're at. It's also a big challenge with our  
8 apartments. Generally speaking, cardboard is a real  
9 issue in San Francisco.

10 Q. You alluded to it earlier, but if you could  
11 just explain what are the changes that Recology's  
12 proposing as far as the collection trucks, to address  
13 those issues.

14 A. So by moving, we're organizing to move all of  
15 the blue material into single-chamber collection  
16 vehicles. These are much larger in size, and this is  
17 the existing equipment. And our crews will be able to  
18 increase their payloads enough to make a difference as  
19 far as any increases in tonnages that we're going to  
20 realize not only on changing the behavior but also what  
21 we're doing at Pier 96 and Recycle Central, the  
22 additional items.

23 MS. PEARCE: I'm going to mark another  
24 exhibit, 21.

25 This is a slide with two pictures showing a

1 split-chamber versus the single-chamber trucks.

2 BY MS. PEARCE:

3 Q. And if you could, just tell me what this slide  
4 depicts.

5 A. This is a challenging problem that we face  
6 every day. The picture on the left is what we call the  
7 "split-chamber," so the hopper size the only 3 feet by  
8 2 1/2 feet. And as you can see, the materials -- my  
9 guys spent a considerable amount of time trying to cut  
10 down and get this packed in the truck.

11 If you notice on the right, with the  
12 single-chamber vehicles that currently exist today,  
13 we can easily take on this material and get  
14 containerized. We have some litter issues, as far as  
15 loose litter around the city; so cardboard challenges  
16 will definitely be dealt with by the single-chamber  
17 vehicles.

18 MS. PEARCE: Let's move the admission of  
19 Exhibit 21.

20 MR. PRADHAN: Admitted.

21 (Exhibit 21, "Photographs, split chamber  
22 vs. single chamber [Recology],"  
23 was admitted into evidence.)

24 BY MS. PEARCE:

25 Q. And just to make things clear, this is the

1 hopper on the left of the split-chamber collection  
2 vehicles. A little hard to see, but the recycling is,  
3 I guess, collected on the left side of that hopper;  
4 is that right?

5 A. Based on -- it's a 50/50 body. So right now  
6 the picture is just showing for picture purposes that we  
7 would have to try to push that material in that small  
8 hopper. It's kind of hard to see because on that wall  
9 there's a flipper there, and so it doesn't allow the  
10 garbage to go on the opposite side.

11 But again, it is a big problem. The way we  
12 mitigate this today, and we talked it about it a little  
13 earlier, on these types of customers we actually utilize  
14 our compost routes to just kind of go through. It's not  
15 best and high use for the materials. We still compost  
16 it, but we prefer it be put in a single-chamber truck  
17 and just send it over to Recycle Central.

18 Q. The cardboard can be picked up by a compost  
19 truck?

20 A. Right. One way or the other, we're going get  
21 the stuff off the streets. And we end up utilizing --  
22 augmenting our collection fleet to have organic  
23 materials picked up and send it to the organics  
24 building. But that itself is a challenge.

25 Q. Did you do any tests to evaluate the

1 effectiveness of your new proposed approach to use the  
2 single-chamber vehicles to collect recyclables?

3 A. Yes.

4 Q. Tell us about that.

5 A. You mean the --

6 Q. Tell us what you did to assess whether it  
7 would work to have recyclables collected by a  
8 single-chamber vehicle instead of a split-chamber  
9 vehicle.

10 A. After our tests had completed, we identified  
11 approximately 12 width-body collection routes in the  
12 Sunset District, which is heavy residential; so that  
13 would give us a good feel. We immediately started  
14 pickup the materials in a split-body with the black and  
15 the green. But we also had to add blue recycling routes  
16 in order to augment what we described earlier was  
17 significant more stops. Because on the blue side,  
18 there's 95% participation from all of our customers.

19 Q. By "participation," you mean almost everybody  
20 puts out their blue bins, but not everybody puts out  
21 their green bins. Is that what you mean by  
22 "participation"?

23 A. That is correct.

24 Q. And so currently the single-chamber vehicles  
25 that are collecting green bin materials, they don't need

1 to stop at every home; is that right?

2 A. No. Right now the drivers are experiencing  
3 every three homes, two homes, they're putting out sort  
4 of a two-to-three ratio.

5 Q. -- are putting out the green bins?

6 A. Correct.

7 DIRECTOR NURU: We're close to the breaking  
8 point. Now might be a good place to stop. Our  
9 ratepayer advocate would like to do their presentation,  
10 and it look like we might focus on --

11 MS. PEARCE: Absolutely. That sounds good.  
12 Thank you.

13 DIRECTOR NURU: We may call the ratepayer  
14 advocate to come up.

15 (Mr. Negron steps down from the  
16 witness stand.)

17 STATEMENT BY THE RATEPAYER ADVOCATE

18 MR. JONES: Good morning. My name is  
19 Dwayne Jones, the San Francisco ratepayer advocate.

20 Good morning, Director Nuru. Again, in the  
21 essence of time, I will speed up this presentation.

22 MR. RODIS: Good morning, sir. Just mention  
23 your name for the record and I'll swear you in.

24 MR. JONES: Dwayne Jones, ratepayer advocate.

25 MR. RODIS: Thank you, sir.

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DWAYNE JONES,

having first been duly sworn, testified as follows:

MR. JONES: All right, Mr. Nuru.

So again as I was indicating, I am the assigned ratepayer advocate. And what I want to do is kind of walk through kind of our role and responsibilities pursuant to the rate application moving forward.

So our primary role is to ensure that we're increasing the awareness about the refuse rate application that has been submitted by Recology and the approval process through a citywide outreach strategy. So for the past four months, we've been going through and developing an outreach and communication plan, and making sure that we actually had a strategy in identifying folks that represented the diversity of San Francisco; to ensure that we had cross-representation that every resident that has any questions or concerns in getting involved in this process and hearing about this process had an opportunity to do so.

Therefore, we have encouraged community members to voice their input at formal hearings -- for example, like this one here -- and contacting them. And so there's been a variety of ways that folks have been

1 contacting us over the last several months via e-mail,  
2 via social media, and many of the community meetings  
3 that we've had over the last several months.

4 The primary intent is to be here to represent  
5 the public interest and ensuring their concerns are  
6 addressed at these respective hearings. And so again,  
7 as you indicated earlier, I will be in all of these  
8 hearings making sure that their voices and interests and  
9 concerns are heard.

10 The methods of outreach that we've engaged  
11 thus far, we are continually open to new and creative  
12 ideas about how to further that reach. But currently we  
13 hope that the series of community presentations at  
14 neighborhood and homeowner associations, community  
15 advisory groups, neighborhood centers, community-based  
16 organizations, police precincts, safe community  
17 meetings, small-town equal advocacy, print media,  
18 social media, community newsletters, and e-mail blasts  
19 to various organizations and Listservs and things of  
20 that nature.

21 What I'd like to do now is turn it over to --  
22 my core staff is doing many of these meetings, Director,  
23 to speak more to the detailed outreach plan and things  
24 that we've been hearing thus far; so I'd like to start  
25 with my staff, Rosie.

1 MS. DILGER: Hi. I'm Rosie Dilger.

2 ROSIE DILGER,

3 having first been duly sworn, testified as follows:

4 MS. DILGER: All right. For our outreach  
5 update, so far we have reached out and done community  
6 presentations throughout all 11 districts in  
7 San Francisco. So far we've completed 36 at different  
8 community groups -- community meetings, and we have an  
9 additional 15 on the books and we're continuing to  
10 schedule more as we go. And we notified and outreached  
11 over 140 community organizations, neighborhood groups,  
12 merchant associations, and other organized groups in the  
13 city.

14 So far we're going to give just a brief  
15 overview of the feedback we've gotten. I'd say the most  
16 common things that we're hearing are binning size and  
17 minimum pickup requirements. Additionally, a lot of  
18 questions about district studies and pilot programs,  
19 basically, which has been very helpful; the  
20 disproportionate access coverage for seniors and people  
21 with fixed income; enforcement of current policies and  
22 those that are displeased with their current service;  
23 the general increase to the cost of living; and the  
24 frequency and amounts of the rate increases.

25 Additionally, we have a lot of questions as

1 to the profit and revenue versus the real labor cost,  
2 prevention of theft and the loss of CRV funds, how  
3 outreach will help particularly with multi-unit  
4 residences and condos, questions of how the increase  
5 will affect business, and questions about new types of  
6 recycling as well as the infrastructure that provides  
7 it.

8 As Dwayne mentioned, we have a lot of  
9 opportunities for public input. We have a website,  
10 e-mail, a phone number that has three languages on it;  
11 so we are translating those responses as well, as well  
12 as responses by mail. And as we are in the first of  
13 seven hearings, we are actively promoting them and  
14 encouraging our community members to attend or to send  
15 their concerns through us.

16 DIRECTOR NURU: Okay. Thank you for --

17 MR. PRADHAN: Excuse me one second.

18 Mr. Jones, in the interest of having the  
19 record complete, it looks like we were shown a visual  
20 presentation. We would like to get a copy to mark as an  
21 exhibit.

22 MR. JONES: Absolutely.

23 MR. PRADHAN: Thank you.

24 DIRECTOR NURU: Okay. I want to thank you for  
25 your outreach. As you know, outreach to the public is a

1 very, very important part of this process; so we're  
2 beginning to see public concerns coming up in our  
3 proceedings in these discussions.

4 At this time, I will open it up for public  
5 comment. And I asked earlier for a show of hands of how  
6 many people would like to speak. I see one. Looks like  
7 we have maybe two.

8 So we will begin public comment. I generally  
9 allow three minutes, but since we don't have many  
10 people, we can go up to five.

11 PUBLIC COMMENT

12 MS. YOUNG: Hi, my name is Mei Young; M-E-I,  
13 Mei, Y-O-U-N-G. I have been a resident here for over  
14 30 years, and I just keep hearing that a lot of the  
15 living costs passing down to the residents, but then for  
16 the homeowners who take the brunt of the costs will keep  
17 bearing that. But then you know, we are strictly  
18 restricted to increase rent. So I think we should have  
19 a link between how much rent we can get increased to the  
20 costs that are related to it and the control of the  
21 city. We are only getting about 2% or 1-point-something  
22 percent rent increase; so the other expenses related to  
23 it should be linked to that. Thank you.

24 DIRECTOR NURU: Thank you.

25 MR. PILPEL: I guess I'm on.

1           Good morning, David Pilpel.

2           By the way, an introduction. Although I  
3 think most people in the room know me, I am a native  
4 San Franciscan, and my interest in garbage goes way  
5 back. My parents told me a story that when my sister  
6 was born in 1971 at Children's Hospital, they were  
7 showing me her and said, "Look, baby sister," and I was  
8 more interested in the red garbage truck. I said,  
9 "Look, garbage truck." It was a Sunset Scavenger truck  
10 at the time. So my interest goes way back there.

11           I have served in many capacities with the City  
12 on and off the Sunshine Ordinance Task Force for the  
13 last 20-plus years, served on the Municipal  
14 Transportation Agency as advisory counsel, the Public  
15 Utilities Commission's advisory committee and its  
16 wastewater subcommittee, the Redistricting Task Force,  
17 and other advisory and policy bodies.

18           And foremost, I'm an environmentalist. I've  
19 been involved with the Sierra Club for many years, and  
20 I'm a regularly-engaged ratepayer. I got my bill last  
21 Friday like many people around town. And I've formally  
22 received the variance rate as a low-use generator, and  
23 I'll talk about that in a moment.

24           So that's my introduction. I generally  
25 support the application of the Company. We'll get into

1 details over the next few weeks at other hearings.  
2 I think it's important that we balance the Company's  
3 interests and need to make a fair and reasonable profit  
4 with the City's interests and goals in zero waste,  
5 abandoned material collection and other issues, and the  
6 interests of ratepayers to have a system that works and  
7 one that is fair and reasonable in costs and services.

8           Just as you said earlier, in terms of  
9 housekeeping, it would be great if we could have a  
10 public exhibit binder so when new items are added by way  
11 of exhibit, they're inserted into the binder and  
12 everyone can have access to it, particularly as  
13 questions are asked relative to exhibits.

14           Also, I've made comments about the website at  
15 the workshop and at other times, and I hope those  
16 comments will be taken to heart and have some things  
17 updated there. In fact, the application itself, while  
18 it is on the website, the cover letter, the narrative  
19 summaries are there as PDFs. The actual schedules are  
20 in the new Excel format, and not everyone has access to  
21 that. So I haven't been able to open all the of the  
22 tabs and then look at the schedules and interrelated  
23 tables; so I've asked that an earlier version of Excel  
24 be used to translate or, in the alternative, that the  
25 application -- that portion of the application be

1 additionally uploaded as a PDF so it is accessible to  
2 all because right now it is not in that way.

3           Again, there were a number of comments and  
4 questions that I raised and that a couple of other  
5 people raised at the workshop last week. It would be  
6 great to get some response to some of those. Some of  
7 them were just thought pieces, but there were some  
8 specific questions and comments -- some of which I  
9 assume will inform the testimony at the hearings moving  
10 forward.

11           I just wanted to complete my time by just  
12 ticking off a list of notes that I made today of issues  
13 that I wanted to express further about in the future,  
14 and then maybe others can touch on them as we go  
15 forward.

16           The 16 gallon blue and green containers are  
17 not currently being proposed. That's something that's  
18 very important to me. I think that as we move towards  
19 zero waste, we don't want to just move more materials to  
20 recycling and composting, but actually encourage people  
21 to generate less. And so people that have -- whether  
22 it's a weekly or less-than-weekly setout, if we're able  
23 to make a 16 gallon black container work operationally,  
24 I think we can also make a 16 gallon blue and green  
25 container work. And I recognize that it's not going

1 apply to all customers or apply to most customers, but I  
2 believe that they showed at the workshop last week that  
3 17% of current customers have a 20 gallon black,  
4 32 gallon blue, 32 gallon green configuration; so I  
5 believe some subset of that universe would subscribe to  
6 a 16 gallon blue or green. Not enough of a customer  
7 base to screw up the revenue projections, but enough of  
8 a customer base to make that additional container type  
9 available. And I would strongly encourage everyone to  
10 incorporate that into the thinking, and if it can't be a  
11 year one program, then perhaps it can be a year two or  
12 year three rollout.

13 In addition, the idea that additional truck  
14 routes and trucks will be needed to service the new  
15 configuration suggests to me that there may be an  
16 opportunity to create some additional night routes at  
17 both Sunset and Golden Gate -- perhaps more so for  
18 Sunset because Golden Gate already has a lot of night  
19 routes. So if more trucks can operate at night and  
20 collect materials primarily from businesses in the  
21 Sunset area at night, that might be a truck that can be  
22 repurposed during the day, reducing the need for trucks.  
23 It will still require as much staff, but that's one less  
24 truck and that's a cost avoided.

25 So those are just some top issues from me.

1 Some other things I wanted to tick off, I wanted to talk  
2 in the future more about trucks and Alta Leasing which  
3 is one of the other company's subsidiaries that handles  
4 trucks.

5 Head count by program. There was a handout  
6 that wasn't introduced as an exhibit yet that will  
7 depict the head count program at RSF. I would hope that  
8 there will be similar handouts that talk about the head  
9 count by program at RSS and RGG.

10 An organization chart for all of the companies  
11 so we understand where all these programs fit under  
12 various managers.

13 The Port lease costs for Pier 96 was  
14 discussed, but the Port lease costs for the Sustainable  
15 Crushing Operation at Pier 94 weren't mentioned and may  
16 or not become relevant to the iMRF move.

17 CEQA review. As to the rate process in  
18 the past, the City Attorney has forwarded the rate  
19 application as the City plans to get a categorical  
20 exemption from that. I don't know if that's in the  
21 works, and perhaps we should hear a little bit about the  
22 CEQA process as it relates to these construction  
23 projects that are contemplated.

24 The handling of debris box, sludge hauling,  
25 and any other programs or services the companies operate

1 that are not subject to rate regulation.

2 There was discussion and narrative about  
3 commercial customers and how commercial rates generally  
4 work in the system, but I didn't see discussion about  
5 those other sort of excluded business arrangements.  
6 I'm sure we'll hear more about toxics programs and the  
7 future expansion and all that.

8 The City's oversight of construction and  
9 demolition, the debris as it relates to the iMRF, and  
10 additional ways to monitor that program and achieve  
11 better diversion and better participation in the city.  
12 Again, construction schedules for these new facility  
13 projects, which are incredibly important to diversion  
14 and achieving zero waste.

15 The concept of ratepayer equity I've raised at  
16 past hearings, and I think there should be some further  
17 discussion of that and how ratepayers benefit and the  
18 ratepayer interest in company investments over time,  
19 how that's handled.

20 The operating ratio and which types of  
21 expenses are subject to the raised amount of risk to the  
22 company and should receive the full alarm, whether there  
23 are other expenses that should be passed through or  
24 whether there's an area in between of less risk where  
25 slightly lower O.R. is applied is a concept that I

1 thought about.

2 Whether education and enforcement should  
3 continue to exist both at the Companies and with the  
4 City Environment and through other hearing processes, or  
5 whether that education enforcement function should be  
6 separated and handled differently.

7 The base and variable rates that were talked  
8 about and sort of the rate structure and how much to  
9 allocate to each of those.

10 The cost of service analysis, and if this  
11 entire process were subject to Prop 218, where the  
12 relative costs would be moving. I understand we're  
13 moving more in that direction. It doesn't get all that  
14 way, but what if we applied that?

15 The Zero Waste Incentive. Structure was  
16 talked about as it relates to the rates, but the zero  
17 waste account that I understand was created under the  
18 new landfill agreement wasn't talked about and I'm --  
19 I admit I'm a bit confused by this ZWI and ZWA and the  
20 two components of the ZWA and whether those targets have  
21 been met and how the structure works. I apologize that  
22 I'm not quite understanding that, but maybe we'll learn  
23 about that in the future.

24 The new upgrades to Recycle Central and the  
25 effectiveness post and limitation. I think Maurice

1 talked about that a little bit. It would be great if  
2 there was additional evidence, if they had information  
3 on that they could introduce into evidence about the  
4 diversion prior to the changes in October/November and  
5 the diversions in the report they introduce.

6 Something else about the upgrades and costs --  
7 the collection truck routing, the single-container  
8 trucks, the 50/50 and the 60/40 trucks. And there's  
9 more that I wanted to develop on that, so I'll have to  
10 think about the issues that Dan Negron just touched on.

11 The additional capacity versus less  
12 generation, moving to zero waste, poaching of  
13 recyclables, and whether their disproportionate impact  
14 were either intended or unintended with the proposed  
15 rate structure.

16 So those are just the issues that I came upon  
17 this morning. I hope that's helpful in terms of an  
18 introduction.

19 DIRECTOR NURU: Thank you.

20 MR. PILPEL: Thank you very much.

21 DIRECTOR NURU: Any additional public comment?

22 No? Okay.

23 I want to thank everyone for their  
24 participation. This is first meeting. At this time we  
25 will be continuing the hearing, so the next one is on

1 Wednesday, March 15th in this same room, room 400. And  
2 we will pick up with the agenda items that we started  
3 today. Again, I want to thank you call for  
4 participating in these proceedings.

5 The meeting is adjourned.

6 Thank you.

7 (Proceedings were adjourned at 11:47 a.m.)  
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REPORTER'S CERTIFICATE

I, MAXIMILLIAN A. CONTRERAS, CSR No. 13876,  
Certified Shorthand Reporter, certify:

That the foregoing proceedings were  
stenographically reported by me at the time and place  
therein set forth and were thereafter transcribed;

That the foregoing is a true and correct  
transcript of my shorthand notes so taken.

I further certify that I am not a relative or  
employee of any attorney or any of the parties nor  
financially interested in the action.

I declare under penalty of perjury under the  
laws of California that the foregoing is true and  
correct.

Dated this 21st day of March, 2017.



MAXIMILLIAN A. CONTRERAS  
CSR NO. 13876

